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REPORT
No. 1061

DEFENSE PRODUCTION ACT

PROGRESS REPORT No. 11

STEEL, COPPER, AND ALUMINUM ALLOCATIONS SURVEY

BY THE

JOINT COMMITTEE ON DEFENSE PRODUCTION CONGRESS OF THE UNITED STATES

EIGHTY-SECOND CONGRESS
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SURVEY OF STEEL, COPPER, AND ALUMINUM ALLOCATIONS

JANUARY 15 (legislative day, JANUARY 10), 1952.—Ordered to be printed

Mr. MAYBANK, from the Joint Committee on Defense Production, submitted the following

REPORT

Review of program determinations; allocation policies and distribution of available materials with particular reference to small business and the farm machinery, highway construction, and school program

PART 1

GENERAL BACKGROUND

War broke out in Korea in June 1950. Less than 3 months later, on September 8, the Defense Production Act was approved. This act, delegating broad powers over the economy to the President of the United States, was enacted because the Congress considered that our Nation was in peril.

The Congress dislikes controls as intensely as do the people affected by controls. Our Nation needed to be made strong. Our military might had to be developed to sustain our war effort in Korea and to face the grim possibility of resisting aggression in other areas of the world or even of engaging in a third world war. It was felt that if our capacity to wage war were increased to a margin of safety, this very fact alone would tend to discourage would-be aggressors.

Risks were necessarily inherent in this solemn decision of Congress. A wait-and-see policy would have been much easier to make. After all, if our troops quickly repulsed the enemy in Korea and peace were restored, many needless expenditures and serious dislocations of our economy would be spared through inaction. On the other hand, a prolonging of the war, other threats to our national safety in other parts of the world, or the advent of a third world war would make the

Nation rue this inactivity and threaten its survival and that of other free nations. Accordingly, the decision was in favor of national security. Sweeping powers over our economy were lodged in the President and, by redelegation, in the defense agencies.

Possible Alternative Defense Plans

Officials exercising the broad discretionary powers under the Defense Production Act of 1950 were faced with grave preliminary decisions. They could have determined to place the Nation upon a full-scale war program. They could have chopped off every ounce of nonessential production to the basic levels. They could have adopted a very harsh definition of what is essential and what is not. As in World War II, for instance, they could have cut down to a mere trickle the flow of automobiles for civilian use. Faced as we are with possibly 2 or 5 or 10 or 20 years of constant emergencies, such a decision would amount to utter folly. In World War II, when a large industry was shut down, the armed services were ready to induct idle labor, and military procurement absorbed idle productive capacity.

Such a course today would inevitably result in unemployment and in economic crises of all kinds. The absence of a large Army and of a huge rearmament program ready to absorb this idle manpower would cause unrest, economic waste, and injure the public morale. An empty stomach is not conducive to lucid thinking. This could have reached a point where the public concept of the national good might become cloudy. Public support of our mobilization program is a condition precedent to its success.

On the other hand, officials might have adhered to a do-nothing policy. They could have given token recognition to military needs and hoped benignly for a successful termination of truce talks in Korea. Unpopular controls could thus have been staved off. This policy would have courted national disaster and would have ignored the clear intent of Congress contained in the Defense Production Act of 1950.

Instead, officials steered a middle course between those two extreme programs.

DEFENSE PRODUCTION ADMINISTRATION

Major Policies

The major policies followed by the Defense Production Administration (DPA) with the full knowledge and approval of the Director of the Office of Defense Mobilization (ODM) Mr. Charles E. Wilson, were as follows:

First, that the real needs of the Department of Defense and the Atomic Energy Commission should be met. This does not mean that the stated requirements of the military necessarily should be met in full. Rather, the policy was to insure that the material demands of the military should be met to the extent that they were related to available facilities and components and were appropriately scheduled.

Second, that strategic programs should be supported, particularly those with long lead times, such as the power-expansion program.

Third, that less essential construction should be deferred to the maximum extent, in order to free structural steel for those construction

projects that must move forward currently as rapidly as possible. This is a short-run policy. Many other projects considered to be deferrable in the first quarter of 1952 are not for this reason to be considered less essential in the long run.

Fourth, that the civilian economy should be maintained at the highest possible levels consistent with the foregoing considerations. In addition, the policy was firm that the levels of materials made available for the civilian economy should be high enough to avoid the creation of large pools of unemployed and the squeezing out of small, marginal producers. Material shortages reflected in the program determinations will leave some producers of civilian goods at production levels under the break-even point and will create some unemployment. The policy was established, however, to minimize to the fullest possible extent such burdens.

Fifth, that program determinations should be directed toward supporting production of industrial equipment at levels sufficiently high to correlate with the industrial-expansion program, the real needs of industry, the properly time-phased requirements of the military, and the support of other essential programs in the economy. The policy was not one of supporting industrial-equipment production at levels reflecting the ability of industry to consume materials. Broadly, production of industrial equipment has been supported at a 1950 base rate with upward adjustments for increased military and industrial demands for more essential machinery items, and with a downward adjustment for deferrable production and the possibility of conservation in the use of scarce materials. Obviously, this general policy affects different machinery items in different ways.

Sixth, that the program determinations should be directed toward supporting essential component production at levels in balance with end-product production and construction schedules.

Finally, that program determinations should reflect a policy of conserving materials to the maximum extent possible without jeopardizing defense production or the maintenance of the civilian economy.

These major policies were discussed frequently during their evolvement with your committee, and the Senate and House Banking and Currency Committees. They were thoroughly discussed in the light of the intent of Congress as reflected in the Defense Production Act of 1950, as amended. (See Public Law 774, 81st Cong., 2d sess.; Public Law 96, 82d Cong., 1st sess.; the nine progress reports of your committee and the first annual report of your committee (S. Rept. No. 1040, 82d Cong., 1st sess).) In fact, these policies in large measure were forged, in a sense, in executive sessions and open hearings of your committee, which is charged with the continuous duty of studying the programs authorized by the Defense Production Act of 1950, as amended, and of reviewing the progress achieved in the execution and administration of such programs.

TOTAL ANTICIPATED SUPPLY OF STEEL, COPPER, AND ALUMINUM AND ORIGINAL ALLOTMENTS OF CONTROLLED MATERIALS ANNOUNCED ON OCTOBER 12, 1951

First quarter 1952 allotments of controlled materials

Claimant agency and program	Total steel	Total copper and copper base alloys	Total aluminum
	Tons	*Thousand pounds*	*Thousand pounds*
Department of Agriculture	43,350	2,440	100
Department of Army	35,200	1,525	100
Atomic Energy Commission	141,050	8,515	6,000
Civil Aeronautics Administration	17,077	735	100
Defense, Department of	2,408,700	297,000	250,000
Defense, Electric Power Administration	309,550	79,050	39,000
Defense Fisheries Administration	1,682	31	5
Defense Minerals Administration	36,927	1,605	200
Defense Solid Fuels Administration:			
Coke ovens	17,258	400	70
Coal mines	9,096	213	15
Defense Transportation Administration	63,253	1,759	200
Federal Civil Defense	2,238	65	
Federal Security Agency:			
Hospitals	64,123	2,583	400
Education	96,296	3,897	10
General Services	24,014	640	100
Housing and Home Finance	83,700	5,978	250
Department of Interior	12,280	175	64
Maritime Administration	100,975	4,840	100
OIT-ECA	652,500	10,435	2,000
Petroleum Administration for Defense	1,708,500	8,300	850
Public Roads	201,520	900	250
Veterans' Administration	12,395	1,337	80
NATIONAL PRODUCTION AUTHORITY DIVISIONS			
Agricultural machinery and implements	527,100	7,800	6,500
Aircraft	12,400	1,708	6,000
Aluminum and magnesium	12,850		100
Building materials	1,113,100	51,850	45,300
Canadian	415,050	4,600	2,150
Chemicals	314	1,384	5,090
Communications	39,550	47,230	2,500
Construction machinery	487,654	7,220	2,400
Consumer durable goods	870,260	38,220	49,000
Containers and packaging	1,682,250	258	19,000
Copper	43,250	3,300	2,260
Electrical equipment	586,710	147,169	24,250
Electronics	75,385	33,760	18,000
Engine and turbine	580,500	29,930	3,900
Facilities Bureau	712,700	28,886	7,000
General components	1,089,500	172,074	18,000
General industrial equipment	500,436	41,905	17,000
Iron and steel	243,216	17	
Leather and leather products	11,740	1,668	1,200
Lumber and wood products	6,840	175	1,000
Metalworking machinery and equipment	556,000	36,028	7,000
Mining machinery and equipment	114,661	3,283	250
Miscellaneous metal and minerals	2,518	1,159	35
Motion-picture production	7,999	1,206	3,200
Motor vehicle	3,054,131	128,055	77,710
Ordnance and shipbuilding	95,870	7,276	1,250
Printing and publishing	10,659	1,105	500
Pulp and paper and paperboard	1,170	22	25
Railroad equipment	1,640,750	86,360	6,000
Rubber	30,533	4,023	950
Scientific and technical equipment	45,490	40,380	13,000
Service equipment	46,397	2,863	3,700
Textile	(1)	(1)	(1)
Tin, lead, and zinc		3	
Water resources	158,152	3,633	175
Reserves: MRO-self-certification, field cases and small users	2,334,426	105,159	43,833

[1] No requirements.

The defense program is beginning to hit its stride. The military uses of basic materials is growing by leaps and bounds. Civilian production in the first 3 months of 1952 was bound to be lower in general than in the last quarter of 1951.

Certain less essential products requiring aluminum and copper, especially those where substitution is possible, had to be very drastically curtailed.

In addition to use of basic materials directly in military equipment, the military also will use large amounts of basic materials in the form of motors, bearings, gears, washers, screws, and other components. In addition military procurement requires sizable quantities of machine tools, construction machinery, and other equipment items. More materials than in the fourth quarter of 1951 are needed to support the operations of industries supplying direct military producers and to support programs for the expansion of industrial capacity.

First quarter 1952 direct military demands for steel were then anticipated to be 408,000 tons more than in the fourth quarter of 1951. The direct military demand for copper was 81,000,000 pounds more than in the fourth quarter, and for aluminum 80,000,000 pounds more.

Since these increases for the military were substantially more than the increase in supply, these changes necessarily imposed a reduction in other allotments.

It was DPA's belief that it is preferable to permit all manufacturers, including those who make nonessential civilian goods requiring copper and aluminum, to operate at low levels rather than to put some of them out of business entirely by absolutely prohibiting the use of basic materials in less essential products. In this way there is a greater opportunity for them to be ready to use materials when they come into greater supply when our expansion of basic resources will permit a higher level of civilian production without jeopardizing the defense program.

Materials will be allotted for 930,000 automobiles with an authorization to produce 1,006,000 in the hope that the industry through continuing conservation, some additional absorption of inventory, and the substitution of materials may build the total quantity and maintain employment at a higher level.

Also, DPA will in the first quarter 1952, direct more materials into the industrial expansion program in order to increase this Nation's productive capacity so that present controls may be relaxed as soon as possible. Structural steel authorized for this expansion in the first quarter is about 50,000 tons more than was provided in the fourth quarter. This will force a slowing down in less-essential civilian building.

To the extent possible, steel has been provided for the manufacture of consumer durable goods in the first quarter 1952 to compensate, in part, for the reduced amounts of copper and aluminum that are available to these manufacturers. The outlook is that production of such civilian items as refrigerators, stoves, radios, television sets, and home appliances of all kinds will be reduced, but because generally ample supplies of these products are now on dealers' shelves, the supply should be sufficient to meet normal consumer needs.

In all three materials with which we are dealing—steel, copper products, and aluminum—there are some uncertainties that will affect first quarter supply, and accordingly estimates generally are on the optimistic side. We will have to have a lot of good fortune to realize the estimated supply on the basis of the allotments that have been made.

In the case of aluminum we have had the Pacific Northwest power shortage; in the case of copper we have the problem of maintaining an adequate flow of scrap to the brass mills and foundries, and the estimate of supply of copper products is definitely on the optimistic side. DPA plans to initiate measures that will make the supply realizable, but there remain serious problems.

The estimated supply of 21,125,000 product-tons of steel for the first quarter 1952 is dependent upon sufficient supplies of scrap metal to enable the steel mills to continue to produce at record-breaking levels. A Nation-wide industry campaign is now underway to recover all the scrap possible, and maintenance of the established program levels is dependent upon the success of this drive. Attention is also being given to the recovery of battlefield scrap both in Europe and the Pacific.

Attention should be called to two elements of the steel supply. The alloy steel supply figure for the first quarter is lower than the fourth quarter figure. This does not mean a loss in output. It simply reflects limitations on production imposed by shortages of nickel and other alloying materials.

In the case of structual steel shapes, DPA is looking forward to an increase of about 100,000 tons in the supply which will, of course, help a great deal to meet our industrial expansion program.

Let us consider the high lights of a few of the more important programs. In the case of electric power, a good balance has been achieved in the construction phase of the program with the production of heavy power equipment.

In the schools and hospitals construction programs where structural steel limitations were paramount, DPA has endeavored to provide in allotments enough material to support the construction of elementary schools in defense areas, to replace condemned structures and to complete, perhaps with some delay, other projects which are under way. This assumes there will be a maximum conversion to the use of reinforced concrete as against structural steel. It is also assumed that the major attention of this program will be focused on elementary schools, and that less material will flow in the first quarter to higher education projects. For hospitals, it is DPA's belief that the recommended quantity will enable a continuation of projects under way without providing for any substantial amount of new starts.

The allotments for ship construction are well below the requested figures, although quite near the fourth quarter level. DPA was well aware that some ship construction would have to be deferred, but the limiting factor here is the acute shortage of plates and structural steel shapes.

The petroleum industry's allotment is intended to maintain the petroleum production and refining program at a high level, but some of the proposed construction of gas transmission lines will have to be deferred.

For agricultural machinery, the allotments were in DPA's belief, sufficient to support output of equipment at a healthy and adequate level. In the face of material shortages, it is DPA's belief that it has not handicapped the achievement of the anticipated goals for food and fiber production.

For building materials, DPA tried to make an upward adjustment in steel to provide products needed in construction, but it was unable to provide the aluminum requested, and there is no question but that many producers of building items, who use aluminum, will be forced to very low levels in the first quarter.

For railroad equipment, DPA proposes to support United States freight-car production at a little better than 18,000 units, with a shift toward some of the types of cars that are in greater need right now such as gondolas; in addition there will be 2,000 tank cars as well as about 1,500 cars for industrial and export use.

In the industrial equipment area, in general, DPA tried to differentiate among three different categories of machinery. First, equipment required to support the military, atomic energy, power, and other strategic programs. Second, equipment for which production must be increased consistent with expansion goals generally. Third, equipment used essentially for the modernization of facilities, or for the expansion of production that is not tied directly to defense.

Those categories were kept in mind in distinguishing, for example, between machine tools which are needed right now and special industry machinery—paper machinery, textile machinery, etc., in which volume production can be deferred.

Accordingly, production levels for machine tools have been sharply increased, while items like textile machinery have not been given materials for substantial increases over base-period levels.

At all times DPA has been particularly concerned with the treatment of "B" product procurement of the military. DPA had for example—to pick only one illustration, the case of heat exchangers—to give very serious consideration to the very substantial need for heat exchangers by the Atomic Energy Commission.

In every case in the industrial equipment industry, DPA endeavored to make a detailed product-code analysis, and to base its final determinations on the most detailed information available.

The allotments made are the product of the most thoughtful and painstaking consideration. They represent the best job that can be done in view of the tremendous requirements of the defense and expansion programs.

On an over-all basis, the estimated supply of steel available to sustain all programs—military and civilian—in the first quarter of 1952 is 21,125,000 product-tons. Total stated requirements of the various claimant agencies, plus necessary reserves for maintenance, repair, and operating supplies and other purposes, amounted to 32,954,000 product-tons in the first quarter, or about 165 percent of supply.

In order to bring the demand into balance with supply, DPA authorized allotments for steel totaling 20,880,000 tons, and an additional 2,334,000 tons was reserved for MRO self-certification and the processing of small field cases as permitted by NPA regulations.

Actual CMP tickets authorized to be issued for steel in the first quarter 1952 add up to about 112 percent of the total estimated

supply. This apparent overallotment is to take care of attrition. DPA officials explained that actually all of the CMP allotments authorized in any quarter are not used, due largely to changes in specifications and designs, and adjustments in military programs and contracts. On an over-all basis the demand and supply is therefore in approximate balance.

In order to bring the demand for copper products in balance with supply, DPA has allotted 1,367,000,000 pounds of copper products (including the metal weight of scrap and alloys) to the various claimant agencies, or about 110 percent of the estimated supply. Total stated requirements of the various claimant agencies for copper products amounted to 2,083,000,000 pounds or 161 percent of supply.

In balancing the demand for aluminum with the supply, DPA authorized issuance of CMP allotments for 713,566,000 pounds, including self-certification reserves. The CMP authorizations amount to about 110 percent of the supply, allowing 10 percent for attrition. Total stated requirements of the claimant agencies for the first quarter 1952 amounted to 974,000,000 pounds. The estimated supply of 646,000,000 pounds of aluminum for the first quarter 1952 is based upon expectations that the aluminum plants can continue to operate at full production levels.

The program authorizations for the first quarter 1952 were arrived at after 5 weeks of meetings with representatives of those Federal agencies which are responsible for production and construction operations to meet both defense and nondefense needs. Up to now the economy has been going through a period of transition to full CMP operation. In the first quarter 1952 the CMP program will be given its first real test of meeting the objective of effectively distributing the critical materials needed to sustain a balanced program for defense, defense-related, and civilian production.

Additional Allotments

First quarter supplemental allotments

Claimant agencies	Steel	Copper	Aluminum
	Tons	*Pounds*	*Pounds*
Atomic Energy Commission	21,850		
Department of Defense	92,200	2,800,000	
Defense Electric Power Administration			6,000,000
Defense Minerals Administration	9,390	350,000	75,000
Defense Solid Fuels Administration	1,238		
Defense Transport Administration	2,500	400,000	
Federal Civil Defense Administration	1,000		10,000
Federal Security Agency:			
Schools	15,000		
Hospitals	7,500	150,000	
General Services Administration	5,712.5	125,000	5,000
OIT-ECA	14,250	900,000	
Public Roads	10,000		
National Production Authority:			
Aircraft Division	3,000		
Building Materials Division		1,150,000	
Communications Equipment Division		1,000,000	
Electrical Equipment Division	23,050	3,500,000	
General Industrial Equipment Division	500		
Leather and Leather Products Division	79.5	30,000	
Metalworking Equipment Division	14,000		1,555,000
Mining Equipment Division	7,500		
Railroad Equipment Division	3,000	250,000	
Water Resources Division	66,500		

The following letter and exhibits sent to the chairman of your committee by Mr. Manly Fleischmann, Administrator of the DPA, sets out the subsequent decisions that have been made with respect to the disposition of the reserve of controlled materials for the first quarter of 1952:

DEFENSE PRODUCTION ADMINISTRATION,
Washington, D. C., November 24, 1951.

Hon. BURNET R. MAYBANK,
Chairman, Joint Committee on Defense Production,
United States Senate, Washington, D. C.

DEAR SENATOR MAYBANK: I am glad to report to you at this time on the decisions that have been made with respect to the disposition of the reserve of controlled materials for the first quarter 1952, in response to urgent appeals from claimant agencies.

As you know, first quarter 1952 program determinations were issued by the Defense Production Administration on October 10, 1951, following 5 weeks of intensive study of every claimant agency and NPA Industry Division program. These determinations were thoroughly reviewed by members of the Inter-Agency Requirements Committee and had their unanimous approval. Because everyone realized that there would be an inevitable need for adjustment in some programs, reflecting schedule changes, inadvertent errors, or omissions, a reserve was established. Approximately half of this reserve was made available immediately to the National Production Authority to be used at its discretion (subject to approval by the chairman of the Requirements Committee) in dealing with particularly urgent situations in the NPA Industry Divisions. By agreement, the balance of the reserve was retained by the Defense Production Administration for a period of several weeks during which time all claimant agencies were instructed to review their programs and to present appeals covering such urgent situations as they believed required amending action.

Since October 10, a number of appeals for supplemental allotments of controlled materials have been submitted to DPA. Among these was an appeal presented by the Munitions Board on behalf of the Department of Defense. Initially this appeal was in general terms, lacking specific data. Firm figures were not available until November 8 and were subsequently modified on November 14. In view of the magnitude of the military request, it would clearly have been injudicious to have distributed the DPA reserve prior to this time. With the military appeal in hand, however, it became possible to place before the Requirements Committee a statement of all appeals against the reserve and to ask their counsel in determining how to distribute the reserve so as to assure equitable and balanced treatment for all programs.

The size of the problem we faced is suggested by the fact that appeals for supplemental allotments of carbon steel were more than four times the size of the reserve. A comparable unbalance between reserves and appeals was encountered for other controlled materials.

With the advice of the Requirements Committee, we have decided to allot materials in response to a number of the appeals. Obviously, it has not been possible to make available, in most cases, the quantities requested by the claimant agencies. We have tried to review every request in detail, and we believe that we have covered reasonably well the most urgent situations. I am glad to report, for example, that we have found it possible to give assistance to the school and hospital construction programs of the Federal Security Agency. This action will provide for starting an additional 200 elementary and secondary schools and approximately 50 new hospital projects in areas of the greatest need. We are making more steel available for public roads and we are exploring the possibility of extending the self-certification procedure for smaller highway and bridge construction projects so as to deal with more than 40 percent of all projects of this nature with the simplest administrative technique. We have provided supplemental allotments for the Department of Defense and for power, mining, coke oven, atomic energy, and other claimant programs. And we have given additional assistance to a few NPA divisions whose urgent claims could not be fully met from the NPA reserve.

Because several appeals have been received within the last few days, too late for presentation to the Requirements Committee, and because we have a few unresolved problems, we still retain a small amount of controlled materials in the DPA reserve. We have, for example, unresolved questions now under

review with respect to the appeal of the Munitions Board for stainless steel and aluminum. We have an unresolved issue with respect to the allotment of steel for agricultural-water wells, and we are earmarking an appropriate tonnage of steel to be allotted when this issue is clarified. We have found it possible to secure a substantial increase in the supply of steel plates for the first quarter by bringing together high-cost ingots produced in nonintegrated facilities and available plate-rolling capacity. We are exploring with a number of agencies, including the Maritime Commission, the possibility of using this premium-price plate to restore at least some of the cuts that we were originally compelled to apply to their programs. It is my expectation that these matters will be cleared up within a few days, and that we will then be able to distribute the limited quantities remaining among programs on which action has been delayed pending the analysis of additional information.

A full discussion of all the decisions, including a detailed statement on each appeal and an explanation of the action taken in response to it, is presented in the attachment. I shall be glad to make available to you and other members of the committee any additional information that you may require.

Sincerely yours,

MANLY FLEISCHMANN, *Administrator.*

ATTACHMENT A

DETAILED STATEMENT OF DPA ACTIONS IN RESPONSE TO CLAIMANT AGENCY APPEALS, FIRST QUARTER, 1952

Atomic Energy Commission

The Atomic Energy Commission submitted an appeal based upon latest requirements available from their field offices. These requirements were screened and represented the best judgment of qualified AEC personnel with respect to their urgent program needs. After discussion with the AEC staff, we have agreed to meet the bulk of their supplemental request. The total quantities granted include 12,000 tons of carbon steel, 8,500 tons of structural shapes, 850 tons of alloy steel, and 1,000,000 pounds of stainless steel. We believe this action will make it possible to carry the AEC program forward on schedule.

Department of Defense

The Department of Defense appeal covered materials for construction programs and a variety of production programs. After a thorough review of the Department of Defense appeal, and with full reference to both the very large allotments previously granted to the Department of Defense and the very small DPA reserve available for emergency assistance, it was concluded that the construction part of the Department of Defense appeal could be deferred without damage and that the production parts of the appeal could be reduced without serious jeopardy to any urgent military program. We have allotted to the Department of Defense an additional 77,200 tons of carbon steel, 15,000 tons of alloy steel, 1,000,000 pounds of copper wire mill products, and 1,800,000 pounds of copper foundry products. A review of the appeal for stainless steel is still under way, and no action has been taken to date, because of the unusually large quantity of stainless steel allotted to the Department of Defense in the fourth quarter of 1951 that either was not allotted to prime contractors, or, after such allotment, did not reach the mills. We are also conducting an intensive review of the entire defense use of aluminum and are deferring action on the large supplemental request until this review has been completed.

Defense Electric Power Administration

The original program determination for the Defense Electric Power Administration was considered sufficient to support the power program of the Government. Except for aluminum wire, this conclusion still seems sound. At the time the program determination was made, the Copper Division of NPA had allotments of aluminum which were to be used for the production of wire for DEPA. Shortly after the program determinations were made, this material was withdrawn from the Copper Division and earmarked for the account of DEPA. The 6,000,000 pounds of aluminum granted to DEPA therefore represents the conclusion of a transaction initiated early in October.

Defense Minerals Administration

The Defense Minerals Administration submitted as part of its appeal a complete tabulation of all screened requirements for approved projects. In light

of these data, additional quantities of material appeared to be necessary in order to support the important programs of this agency. The limited size of the DPA reserve made it impossible to meet all requirements. The fact that recommendations are below stated additional requirements, in our judgment, will not seriously hamper the over-all DMA program. The supplemental allotments cover 4,600 tons of carbon steel, 3,500 tons of structurals, 1,200 tons of plates, 90 tons of alloy steel, 50,000 pounds of brass mill products, 300,000 pounds of wire mill products, and 75,000 pounds of aluminum.

Defense Solid Fuels Administration

The Defense Solid Fuels Administration appeal was for structurals for the coke-oven program. A project-by-project study of the appeal showed that the essential work of the agency could be continued with some construction rescheduling. It was considered advisable, however, to allot an additional 1,238 tons of structurals in order to prevent serious delays.

Defense Transport Administration

After deferring or denying all projects that could be postponed without serious loss of efficiency, DTA found an urgent appeal to be necessary for 3,000 tons of structurals and 700,000 pounds of copper wire mill products. After reviewing the projects that would have to be deferred if the appeal were not granted, it was considered desirable to provide an additional 2,500 tons of structural steel, and 400,000 pounds of wire mill products.

Federal Civil Defense Administration

The Federal Civil Defense Administration appealed for materials to advance its control center, shelter, and portable pipe programs. Since DPA believes that there is no indication that the shelter or control center programs are sufficiently advanced in planning to start construction on a full scale in the first quarter of 1952, the Federal Civil Defense appeal for this program was not granted in full. Rather, limited quantities of material were authorized for this purpose. The lead time for ordering portable pipe is approximately 5 months and there is no assurance that this requirement could be fulfilled in the first quarter of 1952 even though the appeal were granted. To get the program started, 1,000 tons of carbon steel were allotted from the DPA reserve for the first quarter 1952. DPA is now studying the advisability of granting to the Federal Civil Defense Administration advance allotments to cover pipe requirements in the second quarter 1952. For the control center program, 10,000 pounds of aluminum were recommended for antenna towers. This amount does not meet all requirements for this program, but it is considered sufficient to get the program underway.

Federal Security Agency

The increase of 15,000 tons of carbon steel, including 1,500 tons of structural steel to the Federal Security Agency's education program is to further elementary and secondary school construction in areas of the greatest need. With this quantity of material, FSA can permit starting construction on an additional 200 projects that are now needed. The total over-all allocation for elementary and secondary schools in the first quarter 1952 will permit (1) the continuation of all projects underway (approximately 1,400) and (2) 500 new starts of projects needed in defense areas, for replacement of facilities lost due to catastrophes, and to relieve overcrowding. It should be noted that if school authorities will make the maximum use of reinforced-concrete type of construction, and if they will temporarily defer the construction of gymnasiums, auditoriums, and similar facilities, the first quarter allotment will on an annual basis support the construction of as many classrooms as will be built in 1951, by far the highest record in the history of educational construction.

The appeal of the FSA for its hospital-construction program was to make materials available for a limited number of new starts. The supplemental allotment of 7,500 tons of carbon steel, including 3,500 tons of structural, and 150,000 pounds of wire-mill products will (1) support all projects underway in the first quarter 1952, (2) provide for approximately 50 new projects needed in defense areas, and (3) permit further repairs to and renovation of existing facilities.

General Services Administration

The General Services Administration presented an appeal for several programs including the Voice of America domestic program, renovation of the Rand-McNally Building in Chicago and the Loeser Building in New York, the use of which will save money for the Government and correction of an error in the presentation of original requirements. All of these items were considered to be

critical and since only small amounts of material were involved the appeal was treated liberally. Supplemental allotments include: 3,000 tons of carbon steel, 2,000 tons of structurals, 700 tons of plates, 9 tons of alloy steel, 7,000 pounds of stainless steel, 120,000 pounds of copper-wire mill products, 5,000 pounds of copper-foundry products, and 5,000 pounds of aluminum.

Housing and Home Finance Agency

The original program determination for HHFA was considered to be liberal. Following the issuance of the program determination a transfer was made of some 26,000 tons of carbon steel and lesser amounts of other materials from the DPA self-certification reserve to the allotment account of HHFA. In light of the generous original program level and the transfer of materials the appeal was denied.

Maritime Administration

The Maritime Administration appeal was designed to permit shipyards to resume construction on nine cargo vessels, and to permit initiation of construction on five cargo ships which had already been deferred by about 3 months. Due to lack of plate, the necessary material cannot be made available out of regular supply. The Maritime Administration has been advised that if it can assume the extra cost of conversion steel, additional authorizations can be made to advance the ship construction program. This issue is still awaiting decision.

OIT-ECA

The OIT-ECA appeal was for structural shapes and plates for metals and minerals expansion projects and material for important foreign military and civilian programs. All of the requested quantities were for projects and activities directly related to the United States mobilization program. Because of urgent domestic requirements, however, the request could be met only in part. The supplemental allotments are 12,000 tons of carbon steel, 2,000 tons of structurals, 500,000 pounds of stainless steel, 870,000 pounds of brass mill products, and 30,000 pounds of copper wire mill products.

Public Roads

The Bureau of Public Roads at first requested quantities of material so that total authorizations would equal the originally submitted requirements. These were subsequently modified downward. The first quarter 1952 program determinations cut back the programs of the Bureau of Public Roads to a level comparable to that of 1949. This reduction was considered necessary in order to free materials, particularly structural shapes and plate, for other urgent programs. Since the original program determination was considered to be equitable in light of the materials situation, and since DPA reserves for program adjustment were limited and had to meet other pressing claims it was not possible to meet the full appeal. An additional 10,000 tons of carbon steel, including 2,500 tons of structurals, has been set aside for the Bureau of Public Roads. We are studying, in cooperation with the Bureau, the relative desirability of making this allotment direct to the Bureau for its disbursement as against lifting the self-certification ceiling for small projects.

NPA—General

Appeals from certain NPA industry divisions were for urgent needs that could not be fully satisfied from the NPA reserve.

Agricultural Machinery Division

The Department of Agriculture submitted an appeal for materials for agricultural machinery to be allotted by the Agricultural Machinery Division. This appeal was based upon the assertion that additional quantities of material were needed to permit the production of important types of equipment such as cotton pickers, strippers, pick-up balers, combines, etc.; and that quantities of material were needed to permit a more satisfactory material mix. In addition, aluminum was requested for portable irrigation equipment.

The appeal of the Department of Agriculture had to be denied. A small quantity of material was granted to the Agricultural Equipment Division from the NPA reserve to improve the product mix. When the original program determinations were made the question of the level of agricultural equipment production was thoroughly explored. At that time it was calculated that the program level established was sufficient to meet the national food and fiber production goals. The materials authorized were considered to be adequate to meet the needs of agriculture for critical machinery, given an appropriate distribution of

the materials allotted to support the production of more essential types of equipment.

Aircraft Division

The Aircraft Division appealed for 3,435 tons of alloy steel and 230,000 pounds of brass mill products. This material is needed mainly for landing gear assemblies. Three thousand additional tons of alloy steel has been made available to the Aircraft Division. The Department of Defense has been requested to provide the necessary brass mill products from its allotment.

Aluminum and Magnesium Division

The appeal of the Aluminum and Magnesium Division was for 4,200,000 pounds of aluminum to fill pipelines for new aluminum forge and bar stock mills. The demands for this purpose are urgent and necessary if we are to increase our aluminum supply. We are reviewing the extent to which this claim must be met in the first quarter and authorization as necessary will be granted.

Building Materials Division

The Building Materials Division appealed for an additional 257,000 pounds of wire mill and 7,000,000 pounds of foundry products. The wire mill was requested to increase the amounts distributed among the various codes of the Division. The foundry copper was requested to increase the quantity of the material made available to manufacturers of hardware and plumbing fittings. Because of the comparatively low level at which these materials were distributed among product codes in the Building Materials Division, it was considered desirable to grant to the Division an additional 150,000 pounds of wire mill products and 1,000,000 pounds of foundry copper.

Communications Equipment Division

The Communications Equipment Division appealed for 677,000 pounds of brass mill products and 5,515,000 pounds of wire mill products to reduce the backlog of unfilled requests for service and to improve the efficiency of the telephone system. Against this appeal, 1,000,000 pounds of wire mill products were authorized.

Electrical Equipment Division

The Electrical Equipment Division appeal was based upon the assumption that the level of the original program determination was insufficient to meet the real needs of the Division. Investigation of the allotment distribution to the Division revealed that there was merit to this appeal. For this reason, the following additional quantities of material were authorized to the Division: 20,000 tons of carbon steel, 3,000 tons of alloy steel, 100,000 pounds of stainless steel, and 3,500,000 pounds of copper wire mill products. The appeal for over 10,000,000 pounds of aluminum is now under review to determine the extent to which it must be met if essential production is to go forward.

Facilities and Construction Bureau

The Facilities and Construction Bureau presented an appeal for 112,690 tons of carbon steel, 5,126,500 pounds of copper brass mill products, and 3,221,000 pounds of wire mill products. This entire appeal is still under investigation. The question of how much steel is required to underwrite scheduled construction for industrial expansion projects is being reexamined. The copper brass mill products are requested primarily for bus bars. This matter is also under investigation to determine whether aluminum bus bars may be substituted. The wire mill request is to speed completion of industrial expansion projects. Necessary quantities of copper wire mill products have been earmarked pending the resolution of the other issues.

General Industrial Equipment Division

The General Industrial Equipment Division appealed for stainless steel to increase the amount of this material distributed for the production of chemical and petroleum refining machinery equipment. Because a large proportion of the production of this machinery is important in the Atomic Energy Commission expansion program and the petroleum expansion program, an additional 1,000,000 pounds of stainless steel have been allotted to the Division, although the appeal could not be met in full.

Iron and Steel Division

The Iron and Steel Division of the NPA appealed for 1,500,000 pounds of brass mill products to provide material for producers of clad steel bullet jackets. Nego-

tiations are in process to meet this need by transfer of brass mill products from the Department of Lefense to the Iron and Steel Division.

The Iron and Steel Division also asked for 11,000,000 pounds of aluminum for destructive purposes. When the original program determinations were issued, it was believed (the Division concurring) that enough material had been set aside to meet this need in full. It now appears that the need may have been underestimated. We are studying this appeal to determine the extent to which this demand must be met if we are to sustain our high level of steel production.

Leather and Leather Products Division

The Leather and Leather Products Division appealed for minor quantities of material, except brass mill copper, to support the production of military equipage. The Department of Defense has expressed its willingness to meet this claim by transferring approximately 1,000,000 pounds of brass mill products from its account to that of the Division. Because of the importance of this production for the military, DPA fully supported the other material requirements of the Division, involving supplemental allotments of 37 tons of alloy steel, 85,000 pounds of stainless steel, and 30,000 pounds of copper wire mill products.

Metalworking Equipment Division

The Metalworking Equipment Division appealed for 14,000 pounds of alloy steel and 1,555,000 pounds of aluminum. The alloy steel tonnage is to correct a deficiency of alloy steel allotment for codes in the Division other than for machine tools and closely related equipment. Because of the urgency of the need the steel request was met in full by an additional allotment of 14,000 tons of alloy steel. The aluminum requirement of 1,555,000 pounds was designed to provide a better balance among the materials made available to the Division. The extent to which this request should be granted is now under review.

Mining Equipment Division

The Mining Equipment Division appealed for 7,500 tons of alloy steel to permit mining producers to acquire grinding balls produced by captive steel facilities. In light of the essentiality of the claim, it was considered essential to provide the necessary CMP tickets.

Ordnance and Shipbuilding Division

The Ordnance and Shipbuilding Division appeal was presented by the Defense Transport Administration. The purpose of the appeal was to increase quantities of material available for tugs, towboats, and barges. The possibility of using premium-price conversion steel to make plate will be thoroughly explored with the Division and claimant agency. If the tug and barge builders can use conversion steel, some materials may be made available to the Ordnance and Shipbuilding Division.

Railroad Equipment Division

The Railroad Equipment Division appeal was in two parts. The first was an appeal for additional units of equipment presented by the Defense Transport Administration. The second part was an appeal from the Railroad Equipment Division for an improved product mix and for additional materials for MRO. At the time of the development of the first quarter 1952 program determinations, the question of the appropriate level of freight car and locomotive production was thoroughly explored. In light of the real transportation needs of the Nation and the materials situation we faced the program level was established in the original program determination. Nothing that has occurred since that time has indicated a necessity for changing the program level. Before the first quarter 1952 program determinations were issued, the amount of materials that should be made available for MRO also was the subject of thorough exploration. At that time it was agreed that the railroads could manage with the materials made available for MRO, but that the levels established certainly could not be considered as permanent. For these reasons the appeal for additional units and additional materials for MRO was denied. Three thousand additional tons of alloy steel and 250,000 pounds of copper wire mill products were made available to the Railroad Equipment Division out of the DPA reserve to improve the product mix of the Division for the production of freight cars and locomotives.

Water Resources Division

The appeal of the Water Resources Division covers a number of matters. Among them is a request for material for farm irrigation wells and structural steel for essential water and sewage plants. The problems of the Division were

carefully reviewed. Against the needs of the Division the NPA has made a supplemental allotment from its reserve of 35,500 tons of carbon steel. The remaining needs of the Division amounted to 17,500 tons of carbon steel and 4,000 tons of structural steel. These quantities were satisfied from the DPA reserve. A total of 12,000 tons of steel was set aside pending a decision concerning jurisdictional problems between the Department of Agriculture and the Water Resources Division as to which claimant agency will allot for farm irrigation wells. The remaining 5,500 tons of carbon steel and 4,000 tons of structural were granted to the Water Resources Division.

First Quarter 1952 Program Determinations Under the Controlled Materials Plan

A description of the method of arriving at individual determinations consistent with the major policies outlined above will convince even the casual reader that determinations of allotments are not lightly made.

The following is DPA's explanation, with some modifications, of the availability of material and the bases for specific allocations to the various allotment and construction programs. They are consistent with the major policies defined above.

The staff of your committee has studied DPA's procedures thoroughly and finds that they are efficient and painstaking, as will appear from their description.

DPA'S FINDINGS AND PROCEDURES

This part of the report describes how program determinations have been made governing the distribution of steel, copper, and aluminum for the first calendar quarter of 1952, and indicates the probable direction of the later quarters in 1952. It also covers the problems which were encountered, the manner in which they were resolved, and the program levels supported by the determinations. It is an explanation of the original first quarter of 1952 allotments. The additional quotas contained in the Fleischmann letter to the chairman of your committee are to be added to the original allotments here discussed.

The controlled materials plan became fully operative for the first time in the fourth quarter of 1951. The first quarter, 1952, program determinations, therefore, cover the second quarter, during which the controlled materials plan will have fully directed the distribution of steel, copper, and aluminum.

The membership of the Requirements Committee, which approved the program determinations on claimant agency requirements for the first quarter, 1952, is listed below:

Chairman: Ralph S. Trigg, Deputy Administrator, Defense Production Administration.
Vice chairman: Melvin L. Anshen, Assistant Deputy Administrator, Defense Production Administration.
Civilian requirements: Lewis Allen Weiss, Assistant Administrator, National Production Authority (Commerce Department).
Construction requirements: Frank R. Creedon, Assistant Administrator, National Production Authority (Commerce Department).
Economic stabilization: G. Griffith Johnson, economic adviser, Economic Stabilization Administration.
Food and agriculture: G. F. Geissler, Administrator, Production and Marketing Administration (Agriculture Department).
Foreign policy: Winthrop C. Brown, Acting Director, Office of International Materials Policy (State Department).

Industrial manpower: Dr. Frank P. Graham, Administrator, Defense Manpower Administration (Labor Department).
Industrial production: Dean Bowman, Assistant Administrator, National Production Authority (Commerce Department).
Military requirements: Robert M. Hatfield, executive assistant to the Chairman, Munitions Board.
Mines and mining: H. A. Montag, alternate for Defense Minerals Administration, Department of Interior.
Petroleum and natural gas: Bruce K. Brown, Deputy Administrator, Petroleum Administration for Defense.
Transportation: D. W. Rentzel, Under Secretary for Transportation, Department of Commerce.
Public utilities: Richard D. Searles, Under Secretary, Department of Interior.

PROGRAMING PROCEDURE

The first quarter 1952 programing procedure began in June 1951, when the DPA requested from all claimant agencies a statement of their first quarter 1952 and subsequent quarterly controlled material requirements. Reports were due between August 1 and August 15. In the meantime the staff of the DPA worked closely with claimant agencies in the development of requirements statements.

When claimant agency requirements were received by the DPA, copies were transmitted to the staff of the NPA Metals and Minerals Bureau and the NPA Policy Coordination Bureau. This staff, together with the staff of the DPA, met informally with a number of the claimant agencies to discuss requirements and programs.

During the first 2 weeks of September a series of meetings were arranged with all claimant agencies. The combined staffs of the DPA Office of Program and Requirements, the NPA Metals and Minerals Bureau, the NPA Policy Coordination Bureau, and each claimant agency whose program was under discussion, met to analyze programs and requirements. At these meetings an effort was made to explore thoroughly with each claimant the way in which requirements were calculated, the needs for specific controlled material shapes and forms, program levels supported by requirements, time-phasing, the relationship of one claimant's program to programs of other claimants, degrees of essentiality among programs, possible deferrals in parts of programs, possible conservation savings, duplication among claimant programs, validity of material requests to support given program levels, and related problems.

Various problems arose in these meetings which merited further analysis and discussion. To the extent necessary, such study was undertaken. In some instances, problems were of such a nature that new meetings of all interested parties had to be arranged. In these meetings and other studies, every program of each claimant agency and the product codes of each NPA Industry Division were studied.

In the meantime, various problems associated with controlled material supplies were explored. Separate meetings were arranged with the NPA Metals and Minerals Bureau to review the steel, copper, and aluminum supply estimates against which the first quarter 1952 allocations were to be made. These discussions went beyond questions of total supply to issues connected with individual shapes. The possibilities of increasing supplies of various shapes in short supply, such as structural and plate, were thoroughly explored. More will be said in another part of this report about these problems and the results of study.

On the basis of a continuing analysis of claimant agency program requirements, preliminary staff recommendations were made covering allocations of scarce materials to each claimant agency. These preliminary recommendations were placed before the Program Adjustment Committee on October 1, 1951. The Program Adjustment Committee considered these recommendations, and heard claimant agency appeals for more materials for 5 days. On October 10 the Program Adjustment Committee presented recommendations to the Requirements Committee. The Requirements Committee unanimously agreed to accept the recommendations of the Program Adjustment Committee.

COMMITTEE AND STAFF ACTIVITIES

Before presenting some of the detailed considerations entering into the final program determinations for the first quarter 1952, a word should be said about various committees participating in the programing operation.

The responsibility for allocating scarce materials is a vital one. In an economy as complex as ours the job of deciding the quantities of materials necessary to assure the completion of defense production on schedule, of balancing machinery and equipment with the construction of new manufacturing facilities, of appraising relative urgencies and putting first things first, of assuring an output of components such as bearings and motors in quantities sufficient to meet production schedules for end products, is an assignment of the greatest difficulty. It was recognized from the beginning of the current mobilization program that every operating agency was in a position to contribute to the decision-making process. And it was recognized as a prime requirement that their advice must be used in reaching decisions that always involve, for materials in short supply, increasing allotments to some programs at the cost of less for others. In light of this principle, the greatest possible use of the experienced and expert staffs of all agencies of Government is reflected in the first quarter 1952 program determinations.

At the top of the committee structure through which first quarter 1952 program determinations have evolved is the interagency Requirements Committee. This committee was established to advise the chairman of the Requirements Committee in making decisions. The committee's membership represents every major functional area. It includes one adviser for each of the following areas: Military requirements, agricultural production, mines and mining, public utilities, petroleum and gas, transportation, industrial production, construction, civilian economy, foreign policy, industrial manpower, and economic stabilization.

The Program Adjustment Committee is the principal working subcommittee of the Requirements Committee. Its membership includes the alternates to the members of the Requirements Committee, and additional members from a number of claimant agencies that do not have direct representation on the Requirements Committee. The meetings of the Program Adjustment Committee, in its deliberations on the first quarter 1952 program allocations, were attended by members of the staffs of the NPA Steel, Copper, and Aluminum Divisions,

so that their expert knowledge of manufacturing methods and product mix could be used in reviewing proposals.

The preliminary staff recommendations presented to the Program Adjustment Committee were recommendations in the development of which staffs of many Government agencies participated. The principal staff members were those of the DPA Office of Program and Requirements, the NPA Metals and Minerals Bureau (principally the Steel, Copper, and Aluminum Divisions), and the claimant agencies. But the recommendations also reflect staff work with the Department of Defense, the Office of Defense Mobilization, the Office of the Administrator of DPA, the DPA Production Executive Committee, and other groups.

The first quarter 1952 program determinations do not, therefore, reflect the work of any individual. They are the result of joint efforts on the part of many people. The decisions were not evolved quickly or lightly. They are the result of a careful analysis of every relevant consideration.

SOME MAJOR PROBLEMS

As a starting point in outlining some of the detailed considerations entering into the first-quarter program determinations, a few of the major problems facing the staffs working on allocations should be presented.

First, and of overriding significance, was the extreme demand-supply unbalance which became evident when the requirements stated by claimant agencies were totaled and matched against available supplies. The relationships of submitted requirements (not including MRO) to supply at the beginning of the programing operation were as follows:

	Percent
Carbon steel	156
Alloy steel	159
Stainless steel	168
Brass mill copper products	175
Wire mill copper products	166
Foundry copper products	189
Aluminum	177

Within the supply of carbon steel, structural steel, and plates was revealed an extremely serious unbalance. Structural steel requirements were 205 percent of supply. For plates submitted requirements were 180 percent of supply.

The problem of balancing demand and supply in the face of the magnitude of such unbalance was compounded by the fact that less than a dozen of the claimant agencies accounted for the bulk of the requirements. These claimant agencies have programs of top priority in the mobilization program.

To deal with this problem, reductions had to be made in programs of claimant agencies to levels far below those considered desirable by the claimants. In this light, no matter how equitable and reasonable the final distribution of materials, claimant agencies could not be expected to be pleased. The arithmetic of the structural situation, for example, demanded that claimant agency programs on the average be reduced to 50 percent of the requirements which they submitted as being reasonable.

A second problem, in the nonmilitary area, arose out of the sharply increased claims of the Department of Defense and the Atomic Energy Commission, both for direct procurement of controlled materials and for indirect consumption of materials incorporated in "B" products. The requests of the Department of Defense, as originally submitted for authorizations for "A" products and construction, showed a demand related to supply in the following proportions:

	Percent
Carbon steel	13
Alloy steel	44
Structural steel	28
Steel plate	15
Stainless steel	40
Brass mill copper products	41
Wire mill copper products	12
Foundry copper products	6
Aluminum	45

These demands for first quarter 1952 supplies were far in excess of fourth quarter 1951 military "A" product and Atomic Energy Commission allotments.

Beyond this, the uneven percentages of the supply of various controlled materials claimed by the military made it impossible to provide balanced allotments for other production and construction programs.

In addition to this direct procurement of scarce materials, estimates by NPA industry divisions of material requirements to produce B products for the Department of Defense and the AEC were far above fourth quarter 1951 estimated consumption. Estimates of the materials needed to produce B products for the Department of Defense and the Atomic Energy Commission in the first quarter 1952 amounted to 30 percent of the stated requirements of several NPA divisions. For some large material-using product codes the estimates ranged well over 50 percent of stated requirements.

It was recognized by all concerned that some of these claims were inflated. It was difficult, however, to determine how much inflation existed in these claims, both in the aggregate and in individual product codes. It was even more difficult to determine to what extent these figures represented anticipation of requirements in the first quarter of 1952 which could and should be realized only in later quarters of 1952.

A third major problem that deeply influenced the programing operation was the issue of maintaining balance among programs. Efforts had to be made, of course, to balance engine and turbine production with construction sponsored by the Defense Electric Power Administration, and to balance component program levels with industrial expansion and increased industrial requirements.

A fourth problem concerned the question of how much, among the programs of various claimant agencies, could be deferred in the first quarter 1952 without endangering the goals of the defense program or the maintenance of the civilian economy. The problem of determining specific deferrability was difficult.

A fifth problem concerned the relation between schedules of military production and the actual potential realizable operating level of military production. This was the question of the extent to which

Department of Defense contractors could consume controlled materials, given the facilities, the tools, and the components that will be available.

Other problems concerned availability of material supplies (an issue that will be treated more fully later); the fact that practically every claimant agency and NPA industry division changed stated requirements as the programing operation proceeded; shifting product code assignments among NPA industry divisions and among NPA industry divisions and claimant agencies; and the consciousness of the need to provide small quantities of materials wherever possible to avoid pools of unemployment.

First quarter 1952 program determinations reflect an effort to follow the major policies outlined above.

CONTROLLED MATERIALS SUPPLY

The effective working of an allotment system requires that the forward estimates of supply of the basic materials closely approximate the actual production levels of such materials in the period in question. At present, there are several serious limitations on making accurate supply estimates. These include: weather conditions, erratic flow in scrap markets, and problems involving international price levels. The following discussion of estimated supply levels includes an attempt to point out the sources of variation for each of the controlled materials. In the main, these supply estimates reflect optimism on the part of the NPA controlled materials divisions and the DPA Office of Program and Requirements.

A. *Steel.*—It is estimated that carbon-steel supply for the first quarter 1952 will be about 19,385,000 tons, an increase of approximately 125,000 tons over fourth quarter 1951 levels. This level reflects the continued performance at capacity levels (ingot production) and an approximate 75 percent net realization factor against such ingot production.

The structural steel supply estimate of 1,425,000 tons, an increase of 125,000 tons above the fourth quarter 1951 level, reflects the NPA Steel Division's use of production directives to increase structural output at the cost of other shapes and forms.

Steel plate production is estimated to rise above the fourth quarter 1951 level as a result of production direction. It is believed that in the quarters ahead there can be further substantial increases in plate output, arising notably from the increased emphasis on plate production from sheet and strip facilities, with the consequent reduction of sheet and strip output. Such an increase in production will not directly ease the heavy plate shortages. However, some relief in the heavy plate area will result from NPA and DPA efforts to require consumers who can use the lighter gage plate to cease efforts to procure heavy plate.

Alloy steel output is estimated at 1,600,000 tons. This reflects a reduction of 300,000 tons below estimates of the fourth quarter level, and represents a more realistic estimate of the limitations of alloying materials, as well as capacity considerations.

The stainless steel supply estimate of 280,000,000 pounds requires some additional explanation with regard to two particular factors. First, there is a need to distinguish between nickel steel and chrome

steel, since the former involves the primary shortage. Second, it is necessary to distinguish among stainless steel forms and shapes. Approximately one-fifth of stainless steel output is in the form of narrow chrome strip, used almost entirely in the production of passenger automobiles, consumer durable goods, building materials, and several general components. Since capacity to increase the production of other types of stainless is severely limited in the first quarter, the stainless steel availability level cannot be used to meet general requirements.

A possible serious limitation on these supply estimates arises from the relative unpredictability of the adequacy of scrap flow. Perhaps the greatest current threat to the expansion of steel output arises from this source. The levels cited are optimistic in the face of this potential shortage. Any revision of over-all supply for the first quarter must, therefore, necessarily be a downward revision. The production of rails in the first quarter is affected by the expanding military shell billet program. Increased production of shell billets must affect rail output or structural steel production. In light of the current structural shortage and the partial deferability of rail production, the burden of the increased military output is being placed on rail facilities for the first quarter.

B. *Copper.*—Copper product output presents perhaps the most serious material limiting factor on fulfillment of defense goals. Limitation on production arises in part from a severe decline in the rate of importation of refined copper, reflecting the differential between prices in world markets and domestic price ceilings. In addition, the recent strikes in the copper industry, with their consequent effect on pipeline flows, have created an adverse effect on the supply of refined copper in the fourth quarter. This has been offset in part by distribution of a sizable quantity of copper from the national strategic stockpile.

Another factor makes forward estimates difficult. That is the present clogging up in the flow of scrap to brass mills, foundries, and custom smelters. Contributing to these conditions are a maze of factors, including the tax position of prospective sellers, and ceiling price considerations. The estimates of supply of the various copper products which follow reflect the judgment that by the first quarter 1952 scrap will again be flowing without serious obstructions.

Brass-mill production is estimated at a level consistent with that of the fourth quarter. Several operations are now under way to improve this level.

Wire-mill production will be directed at a level of 360,000,000 pounds, an increase of 10,000,000 pounds over the fourth quarter. Since such production is determined by the flow of refined copper, any additional decline in the flow of imported material will make attainment of this level difficult.

The foundry product level is estimated at 290,000,000 pounds, which is consistent with the peak production of the first 6 months of 1951, the all-time high in domestic production. As in the case of brass-mill production, this level assumes a constant flow of scrap through distributive channels.

It should be observed that the United States is becoming a "have not" Nation a far as copper is concerned while our requirements for copper products continue to rise. There exists no basis for optimism

as to sizable increases in the supply of copper products in the foreseeable future. Indeed, it is apparent that it will be difficult even to sustain existing production levels.

C. Aluminum.—The predictability of aluminum supply is conditioned by three factors: The weather, with special regard to its impact on available electric power in the Pacific Northwest; the flow of scrap in the first quarter; and the rate of importation, notably from Canada. In exchange for steel ingots of which we have a plentiful supply, England has signed over to us part of her contractual orders for Canadian aluminum. (See Progress Report No. 10, Joint Committee on Defense Production). It should be observed that current imports are only 50 percent of the rate of import during 1950 and the early months of 1951. Efforts are currently under way to improve this condition. The declining rate of scrap flow in recent months reflects the build-up of materials in the aircraft program, without comparable offsetting consumption and scrap generation. In addition, it reflects deliveries to the strategic stockpile in the first two quarters of 1951, which, of course, did not generate scrap. The estimate of supply of 646,000,000 pounds in the first quarter assumes a flow of scrap comparable with an earlier period in 1951, and well above the third quarter rate of flow. It further assumes no serious limitation on production arising from any power shortage in the Pacific Northwest.

Unlike copper, it should be observed that we can expect a substantial improvement in primary aluminum supply during the last half of 1952. The availability of this increased supply to industrial and civilian use, of course, will be limited by the rising military requirements in that period. However, as the military program becomes stabilized, we can expect a constantly improving flow of aluminum to all segments of the economy.

THE RELATIONSHIP AMONG FIRST QUARTER STATED REQUIREMENTS, FIRST QUARTER PROGRAM DETERMINATIONS, AND FOURTH QUARTER PROGRAM DETERMINATIONS

The first quarter 1952 program determinations naturally will be compared by many people with first quarter stated claimant agency requirements and fourth quarter 1951 program determinations. Wide differences appear when such comparisons are made.

In comparing stated requirements with program determinations among claimant agencies and NPA industry divisions the following observations should be kept in mind. First, the methods used by claimant agencies in calculating requirements differed considerably. Some claimant agencies presented requirements representing rock-bottom needs to meet only highly essential programs; others submitted requirements for every conceivable usage of materials falling within their programs. Some claimant agencies requesting materials for construction programs included material requirements designed to pick up in the first quarter slippage that had taken place in the fourth quarter. Some claimant agencies included quantities of material to cover self-certification MRO needs in their areas. Such quantities directly duplicated the reserves which DPA set aside for this purpose. Some NPA industry divisions added up manufacturers' requests for materials as received on CMP 4B forms; others rigorously screened manufac-

turers' requests downward by taking into account inventories, more conservative estimates of the military "take" of "B" products, conversion of plant facilities to military contracts, deferability of less essential production, conservation possibilities, realistic production levels, and so on. Some claimant agencies calculated requirements against bills of materials; others found themselves by the very nature of their programs without a firm basis for developing requirements. Some claimant agencies and NPA industry divisions carefully correlated their program requirements with realistic schedules of other claimant agencies' programs. Others, whose programs tied into a claimant agency program which slipped in the fourth quarter, calculated requirements on the assumption that no slippage had taken place. Shifting of claimant jurisdiction over products, continuous recalculation of requirements, duplications, and other such considerations also make comparisons of the requirements-allocation ratio among claimant agencies inclusive.

In relating first quarter 1952 program determinations to fourth quarter 1951 program determinations a number of factors should be considered prior to reaching any conclusions. On the average, first quarter 1952 program determinations to all programs other than the military are below fourth quarter 1951 program determinations. There are a few outstanding reasons for this difference.

First, as noted earlier, the authorized demands of the Department of Defense for controlled materials in the first quarter of 1952 are substantially greater than in the fourth quarter 1951. The demand for steel is some 400,000 tons greater; for brass mill copper, almost 80,000,000 pounds greater; and for aluminum, almost 80,000,000 pounds greater.

Second, the overallotment, or "attrition," factors used in the first quarter 1952 program determinations are less for each controlled material than the factors used in the fourth quarter 1951. In light of various forces operating in the distribution of controlled materials, the factors used in the first quarter 1952 are considered more realistic for that quarter than would be a continuation of the fourth quarter 1951 factors.

Third, the quantity of materials which must be set aside for various MRO self-certification orders, processing of small cases in the field, and small-user self-certification, has increased considerably in the first quarter 1952 as compared with the fourth quarter 1951. Two primary reasons exist for this increase: A number of new self-certification orders have been issued following the announcement of program determinations for the fourth quarter 1951, and a reexamination of MRO reserves has convinced DPA that its fourth quarter set-asides were somewhat low. In carbon steel, for example, set-aside reserves in the first quarter 1952 are about 400,000 tons greater than for the fourth quarter 1951.

Fourth, fourth quarter 1951 program determinations reflect a complete distribution of the DPA reserve for program adjustment. The first quarter 1952 program determinations do not reflect such a distribution.

Fifth, NPA Industry Division program determinations originally made for the fourth quarter 1951 reflected quantities to be set aside for processing field cases. In carbon steel the tonnage amounted to around 400,000 tons. First quarter 1952 program determinations do

not reflect these quantities in Division allotments. The DPA has set aside a reserve to account for material allocation to field cases.

FIRST QUARTER 1952 PROGRAM DETERMINATIONS FOR INDIVIDUAL CLAIMANT AGENCIES

As noted previously, preliminary recommendations for first quarter 1952 allotments to claimant agencies were presented to the Program Adjustment Committee on October 1. During the course of the following week the committee thoroughly explored the basis for the recommendations presented to it and analyzed appeals of individual claimant agencies for more materials. At the beginning of its deliberations, the committee concluded that two types of adjustments should be made in allotments to individual claimant agencies. First were those cases where insufficient materials were allotted to support programs at levels considered to be appropriate. Second were those cases where program levels themselves were considered to be too high or too low.

In the course of its deliberations and during its exploration of individual claimant agency programs, the Program Adjustment Committee recommended a number of significant changes in allotments to individual claimant agencies. The adjusted programs were then transmitted to the Requirements Committee on October 8, 1951.

The Requirements Committee unanimously agreed to adopt the recommendations of the Program Adjustment Committee as the program determinations for the first quarter 1952. This decision was made in light of the thorough analysis of programs which preceded the presentation of recommendations to the Requirements Committee, the necessity for getting decisions quickly into the hands of claimant agencies and industry, and a recognition that marginal adjustments in programs could be satisfied out of limited reserves set aside for such adjustments.

The Requirements Committee approved earmarking approximately 50 percent of the DPA program adjustment reserve for use by the National Production Authority, with the remainder reserved for all other program adjustments, including those of the National Production Authority.

Throughout the programing process the program of each claimant agency was examined and reexamined. A few high lights of the more outstanding programs will indicate the basis for the first quarter 1952 program determinations.

Despite the fact that the Department of Defense allocation for the first quarter 1952 for most controlled materials is substantially above the fourth quarter, the program determination tonnages are below original stated requirements. In cooperation with the Department of Defense and the Munitions Board the relationship between schedules of military production and actual potential realizable operating levels of military production were thoroughly explored, in terms of the level of materials the military requested as compared with the extent to which facilities, tools, and components would permit military production. The first quarter 1952 program determinations, in light of this sort of review, meet the real needs of the military. The Atomic Energy Commission likewise was not allotted its full stated

requirements. But here again, program determinations do support the real needs of that agency.

Program determinations for the Defense Electric Power Administration support the power-expansion program. In cooperation with DEPA, every power-expansion project was screened. Where appropriate, projects were rephased. The program determination achieves a balance between the construction program and the heavy power equipment production program.

In the case of the Petroleum Administration for Defense, the authorized tonnages are calculated to support the petroleum production, refining, and liquid petroleum distribution programs of that agency. Severe limitations on sheared-mill plate for the production of wide-diameter pipe necessitated the deferment of part of the gas-transmission program. The deferral quantities were derived through a project-by-project review of the PAD program, and the deferment will not cause real hardship in the economy. Authorizations for most materials, largely because of gas transmission deferments, are below fourth quarter 1951 program determinations.

The program determination for the Maritime Administration, although considerably below stated requirements, is approximately the same as the fourth quarter 1951 level. The primary limitations were structurals and plates. While the tonnage authorized will compel deferment of some ship construction, the carrying capacity of American vessels will not be seriously affected by the delay. The program level recognizes the need for prototypes of new transcargo ships and permits reasonable fulfillment of present goals, given material limitations.

Structural steel constituted a severe limiting factor in the material authorization to the Bureau of Public Roads. Program determination quantities are substantially below stated requirements and less than the authorizations made for the fourth quarter of 1951. While levels authorized for the first quarter of 1952 compel deferral of less essential road construction, given proper distribution, the quantity is sufficient to meet pressing urgent road construction and repair problems, including access roads in defense areas. Over the coming year it will be necessary to increase allotments for public roads to maintain and improve the Nation's highway system.

In the case of the Federal Security Agency the structural steel shortage was a limiting factor. The educational program determinations will provide materials for continuing construction on all elementary and secondary school projects under way in the first quarter and, in addition, will permit more than 300 new starts in defense areas. This assumes there will be a maximum conversion to the use of reinforced concrete as against structural. Proper distribution of materials requires that the major attention of the education program be focused on elementary and secondary schools, and that much less material flow in the first quarter 1952 to projects in the field of higher education than in the fourth quarter 1951.

The program determination for hospitals will permit the continuation of all projects now under construction. It will require some deferment of construction of new facilities. However, where acute emergency situations can be demonstrated, special consideration will be given to them out of the DPA reserve for program adjustment.

The program determinations for the Office of International Trade and the Economic Cooperation Administration reflect the policy to support the foreign area on an equitable basis. Although authorized tonnages for the first quarter 1952 are substantially less than stated requirements, the program determination quantities for most materials are approximately the same as for the fourth quarter 1951. The use of conversion steel should provide greater export of carbon steel in the first quarter of 1952 than in the fourth quarter. The quantities of material authorized will support direct military requirements, the development of strategic raw materials, and essential civilian projects in friendly foreign nations. Similarly, authorizations for Canada, although less than stated requirements, are calculated to support essential military, raw material, and civilian requirements.

In the case of the Housing and Home Finance Agency the program determinations will support a high level of private and public housing, but a level much below stated requirements. Self-certification reserves are sufficient to support a reasonably high level of private construction. Tonnages which HHFA may allot in the first quarter 1952 will permit carrying forward the 95,000 units of public low-rent housing now under construction, as well as the 45,000 private multifamily units now under construction. Some new starts in all housing areas under the jurisdiction of the agency will be permitted by allotment authorizations. Given appropriate distribution of materials, the program determinations will support the HHFA housing program with about one calendar quarter slippage in all programs except the private single dwelling program.

For most other claimant agencies, other than the NPA Industry Divisions, structural and plate shortages proved to be limiting factors in establishing program determination levels. Throughout these agencies, for example, the Civil Aeronautics Administration, Defense Minerals Administration, Defense Solid Fuels Administration, Defense Transport Administration, Federal Civil Defense Administration, and the General Services Administration, program determinations compel deferral of less essential construction. On the basis of a project-by-project review, the program determinations for each, however, will support current essential construction necessary to maintain the mobilization program and its industrial activity.

In the case of NPA industry divisions a wide variety of considerations lay behind the program determinations. Here again, only the high lights of selected programs can be considered in this report.

Although product codes in the NPA Consumer Durable Goods Division will receive in the first quarter 1952 on the average only about 10 percent less material than in the fourth quarter 1951, the program determinations are considerably below stated requirements. Production of manufacturers receiving allotments from this Division will, on the average, be about 60 percent of base period for steel, 35 percent for copper, and 35 percent for aluminum. This average level will not be possible for many products; some products in the Division will be scheduled at a higher rate. Various so-called preferred codes in the Division, or those in demand by the military and industry, will get better than average treatment. After allocations to such codes, it is calculated that some producers can be authorized only about 10 percent of the copper and 20 percent of the aluminum used in the base period. These quantities may be for some producers less than enough

to permit operations at a break-even point. In cooperation with the Department of Labor the impact of these allotments on production and unemployment has been analyzed. On the basis of an analysis of major industries and geographical locations it is calculated that no large pools of unemployment will be created despite the relatively low availability of materials to some producers in this area. It is calculated that a pick-up in defense orders, increased subcontracting, use of accumulated inventories, and conversion to less scarce materials in production, will permit avoidance of serious dislocations in the first quarter 1952.

For the Motor Vehicles Division material tonnages authorized for the first quarter 1952, although only moderately less than allotments in the fourth quarter 1951, provide for a substantial reduction of major programs. The program determination aims to allot sufficient materials for the production of 930,000 passenger cars, compared with the level of 1,100,000 in the fourth quarter 1951. If automobile manufacturers can produce more units by squeezing inventories, conserving materials, and through other measures, they are permitted to do so. Materials are provided for the production of 227,000 trucks, a cut-back from fourth quarter 1951 production levels, which reflects the judgment that truck production levels of the last 18 months, together with the allotment provided, will continue adequate motor carriage availability. Replacement parts production is supported at about 100 percent of the 1950 rate, less than requested and less than the fourth quarter 1951 rate. This level is believed sufficient to assure adequate replacement parts stocks for the near term. Over a longer period of time it may be necessary to increase such production as an offset to the reduced level of new-car production. Automobile maintenance equipment is supported also at about 100 percent of the 1950 level, which is less than requested. Here again, the issue of unemployment arose in the making of the program determinations. The decline of passenger-car output in the first quarter will create unemployment. Unemployment growing out of a cut-back in passenger-car output should in part be offset by rising employment in defense work. The major employment issue is not so much the impact of a reduction in automobile output as the degree of reemployment on defense work.

Tonnages provided for the Railroad Equipment Division vary for each controlled material from the fourth quarter 1951 allocations. Carbon steel authorizations are less in the first quarter, as are alloy and aluminum allotments. But structural steel, plate, and foundry copper first quarter 1952 authorizations are higher than fourth quarter 1951 quantities. The program determinations will support the construction of 21,450 freight cars, with emphasis on flat cars and gondolas and including 2,000 tank cars. This program level will not jeopardize freight carriage but will require a somewhat longer period of time to fulfill objectives stated by the Defense Transport Administration. The recent retirement rate is well below that postulated in the original Defense Transport Administration freight-car objective. An adequate flow of material to repair use can maintain the present rate of retirement and, there is reason to believe, can further reduce it. Present traffic is well below that anticipated in the original Defense Transport Administration freight-car program goal.

The railroad equipment allotments will support production of 423 trolley coaches, 100 passenger-train cars, and 800 locomotives. Authorizations for cars and locomotives were limited by structural steel and plate demands.

Rail authorizations for the first quarter were limited to 332,000 tons, an amount less than requested and less than that authorized in the fourth quarter 1951. Rail authorizations for the first quarter, although perhaps less than necessary as a quarterly allotment over a long period of time, were established primarily because the increased ammunition program in the first quarter 1952 necessitated the freeing of rail mill facilities for the production of shell billets.

Program determination quantities authorized to the Building Materials Division are, except for foundry copper and aluminum, higher than in the fourth quarter 1951. All material allotments are considerably under stated requirements. In addition to material shortages, the reduction reflects a downward revision of requirements more consistent with 1952 residential and commercial construction starts. The increase in steel allotment above the fourth quarter level resulted from closer integration with construction programs. It also partly reflects an increased use of steel to offset a sharp reduction of aluminum allotment. The authorized aluminum tonnage will create a severe shortage of aluminum for those producers who use that material to make roofing, windows, door frames, and comparable products. The copper and aluminum authorizations will have an impact on employment among producers receiving allotments from this Division. Here again, however, it is anticipated that no pools of unemployment will be created because of conversion of plant facilities and the wide geographic distribution of plants.

The NPA Facilities Bureau was authorized more structural steel and plate for the first quarter 1952 than it received in the fourth quarter 1951. This tonnage will meet in full, requirements of the steel expansion program, the aluminum expansion program, and provide a high percentage of requirements in other important expansion programs. It will permit the distribution of only minor quantities of steel for commercial and recreational construction.

The program determination for containers and packaging material involves two broad areas—metal cans and other. The determination for metal cans is sufficiently high to meet all the requirements of NPA Order N–25, and will permit the necessary build-up in inventories to meet the peak seasonal food pack load of 1952. The steel determination for other containers and packaging material was realized through a product-by-product code analysis and reflects the needs arising from increased industrial production and military procurement. These include production of metal drums, metal strappings, and gas cylinders.

The program determination for the Electronics Division reflects a higher military level, as well as a substantial change of jurisdiction from the Electronics Division in the fourth quarter to the Department of Defense in the first quarter. The program levels are designed to support realistic military requirements, support production for such items as timing devices, tubes, etc., at levels which balance with real industrial expansion needs, and to provide materials for civilian-type products, such as radios and television sets, consistent with levels

permitted similar items falling within the jurisdiction of the Consumer Durable Goods Division.

The allotment to the Communications Equipment Division reflects the severe stringency in copper wire mill supply. While the program determination may require a reduction in the annual rate of telephone installations and increased held orders, the levels provided will meet the military requirements and will provide no serious decline in the efficiency of the communications system.

The program determination for the Water Resources Division is approximately the same as the fourth quarter determination, but falls below the stated requirements of the Division. It should be observed that, at this time, requirements in this area are not clearly understood. The determination attempts to meet, within material limits, the increased demand arising from industrial expansion, increased industrial production, and defense area residential water supply problems. Over time, as requirements in this area become better understood and arrayed in order of urgency, it may be that an increase in quarterly allotments will be necessary.

The variations in direct military requirements as among the various controlled materials necessitated unevenness in the program determination for the Scientific and Technical Equipment Division. However, despite the sharp increase in military copper product requirements the first quarter brass mill and foundry product allotments are substantially above the fourth quarter levels.

The program areas for the Division fall into several broad categories reflecting varying levels of urgency and essentiality. For example, products closely related to direct defense and industrial production for defense include aircraft and nautical instruments, equipment for testing electric circuits and motors, industrial process instruments and automatic regulating valves. In addition to this type of product, allotments to the Division involve medical equipment and supplies. At the other end of the spectrum, are end products which service civilian goods production, including clocks and watches.

The program determinations for the Division are designed to service reasonable estimates of direct military procurement needs and to meet urgent industrial and medical requirements. The foundry product allotments are sufficient to service production of water meters below requested levels yet consistent with the decline in residential construction with some probable delay in meeting the total general need.

Civilian type products are supported at levels consistent with the treatment accorded consumer durable goods generally.

As in the case of general components much remains to be done to integrate the production of component types products under the Division's jurisdiction with the products in which they are embodied or which they service.

Programs of the Service Equipment Division which include such items as computing and office machinery, commercial laundry equipment, and job shop work for industry and utilities, are supported at rates slightly under the fourth quarter 1951 levels. The first quarter 1952 program determinations are designed to maintain computing and office machinery production at levels slightly above those achieved in the first half of 1950. Production of commercial laundry equipment can be supported at approximately the same rates as in the first half

of 1950. Materials are provided also in sufficient quantities to meet the essential needs of job shops.

The increase in current production levels of industrial equipment over those of the immediate pre-Korean period is greater than that involved in any area other than the military. This in part reflects the tooling-up period for defense production, the general expansion of our industrial base and the modernization of facilities which have been promoted by the anticipation of future shortages, the relatively high rate of corporate taxation, and other conditions. Program levels for the first quarter of 1952 in this area reflect an attempt to distinguish industrial equipment requirements among three distinct categories: first, equipment required to support the realistic and time-phased needs of the Department of Defense, Atomic Energy Commission, and other strategic programs; second, equipment which must be fitted into the mobilization expansion program, including the expansion of electric power, steel, and aluminum, and machinery for the expansion of production of selected chemical products; and third, equipment used for modernization of facilities and for the expansion of production not closely tied to defense. Throughout all these categories, of course, there is a continuing replacement need.

The program determinations for the Engines and Turbines Division revolve around three broad categories. These are: First, the power equipment program, designed to support the expansion of electric power; second, heat exchangers, closely related to atomic energy production and chemical expansion programs; and third, the broad area of plate fabrication which fans out to many uses.

Production items related to power expansion were supported consistent with the energy program. These include hydro turbines, generators, steam turbines and generators, and power boilers. The production of many of these items is closely scheduled under NPA Order M–44 and tied directly to the various projects of the Defense Electric Power Administration.

The allotment for heat exchangers reflects the extensive requirements of the Atomic Energy Commission, the growing requirements in the chemical and petroleum expansion programs, and United States naval needs. The allotment for plate fabrication is sufficient to support the real needs of the military and Atomic Energy Commission programs and will meet, in substantial part, industrial requirements such as in the chemical, petroleum, gas, pulp and paper, and utilities areas. The primary discount of stated requirements for this area will involve allotments to consumer-type product uses.

The program determinations for the various product codes in the General Industrial Equipment Division reflect the three distinct categories cited above. A number of these product codes were related to 1947 production levels because data for that period were far more complete than those available for 1950. In addition, for most of the codes, the 1947 consumption level exceeded the immediate pre-Korean levels of production and more properly reflects an expansion period. Thus the program increase in level of consumption of material over 1947 actually involves a greater percentage increase over the 1950 level.

Products closely related to defense production include blowers and fans, industrial trucks and tractors, conveying equipment, and pumps and compressors. The program determination supports pro-

duction of these categories, other than industrial trucks and tractors, at 150 percent of the 1947 level; industrial trucks and tractors are supported at 150 percent of the first quarter 1951 level. These levels compare with 1950 as follows: Pumps and compressors, 160 percent; blowers and fans, approximately 150 percent; conveying equipment, 180 percent; and industrial trucks and tractors, 327 percent. The basis for these levels arises out of the increased level of industrial production which necessitates increased equipment plus realistic shipment estimates for military production programs.

Production equipment related to basic material expansion includes chemical, plastic, rubber, and petroleum industry machinery. Program determinations for these products range from the first quarter of 1951 level for plastics and rubber industry machinery to 140 percent of the first quarter of 1951 level for petroleum industry machinery. These levels are consistent with the expansion program in these important areas.

Program determinations for the third broad group of products, including bakery machinery, bottling machinery and equipment, textile machinery, and woodworking machinery, are supported at 1947 levels, which range from 90 to 135 percent of the pre-Korean level of production. This group of products bears no direct relation to military programs, or basic expansion programs. Production at the program levels may be considered to be relatively high, given their deferrability and the critical shortage of materials. Similarly treated were paper and printing machinery, and measuring and dispensing pumps. Program considerations for refrigeration machinery permit allotments to commercial type products at levels consistent with the general treatment for consumer durable goods, with other more essential types of refrigeration equipment at levels between 80 and 100 percent of the pre-Korean period.

The program determination for the Mining Machinery and Equipment Division reflects the thorough screening job done by the Division with regard to specific equipment needs in various important mining areas. The slight allotment reduction below stated requirements reflects the critical structural and plate steel shortage.

The program determinations for products under the jurisdiction of the Electrical Equipment Division reflect a product distribution as among direct military and atomic energy, basic industrial expansion and industrial equipment, and consumer-type products. As in the case of other types of industrial equipment, review of requirements involved examination, product code by product code, of the major codes under the Division's jurisdiction. Product codes which relate directly to the electric power expansion program, such as pole line hardware, power distribution, and specialty transformers and capacitors, are supported at levels consistent with the expansion program for electric power.

Products related to the increase in industrial production levels over 1950 were adjusted upward to reflect increases in industrial production. Where such products also service consumer-goods industries, they were adjusted downward consistent with the general treatment accorded consumer durable goods. Allotments for all products which service military procurement were adjusted upward to reflect reasonable estimates of increased military and atomic energy requirements. Thus, for example, the material allotment support for cur-

rent-carrying wiring devices reflects full consideration of the submitted requirements estimated for military and Atomic Energy Commission use; the portion of submitted requirements designated as servicing industrial use was adjusted upward to reflect current higher industrial levels. The remaining requirement representing consumer and commercial consumption was treated in accord with consumer durable goods allotments.

Throughout the Division's product jurisdiction, the insufficient supply of copper and aluminum products has required some modification of these levels for products dependent on these materials.

The program determinations for the Construction Machinery Division are designed in general to support production at a level slightly below 1950 for nonmilitary use, plus a reasonable estimate of military procurement requirements. For some of the products important military claims are involved. These include track-laying tractors and construction cranes and shovels. Other product areas are closely related to road-building and maintenance programs which, given the critical material shortage, are considered to be partially deferrable. On balance, the program determination effectively supports existing construction requirements, both domestically and with regard to the United States military requirements abroad.

One serious limiting factor in this Division's programs stems from the shortage of plate and structural steel. The extreme tightness in supply of these materials necessarily provides a limiting factor on production levels for some types of construction equipment.

The program level for the Agricultural Machinery and Equipment Division, given the high levels of production in recent years, is sufficient to meet food and fiber production goals. The Department of Agriculture, while strongly advocating higher production levels in this area, has agreed to support this production level in light of the critical shortage of materials.

The program determinations for products under the jurisdiction of the General Components Division are necessarily uneven. The magnitude of the military claim on copper brass mill and aluminum products limits the ability to support component production dependent on such material. Despite this military factor, the program determination for brass mill products is 18,000,000 pounds above the fourth quarter 1951 level, and aluminum is approximately 3,000,000 pounds above the fourth quarter 1951 level. This reflects consideration of increased valves, fittings and bearing requirements in the military, Atomic Energy Commission, and industrial expansion areas.

Program considerations for steel for industrial fasteners support production consistent with the current level of metal consumption in the economy, including the additional impact of military procurement. The allotment level will support gasket and oil seal production consistent with the expansion of industrial and military need, with some discount for the reduced production in passenger automobiles and other consumer products.

Much remains to be done in programing for general component production. It would appear that the present level of unfilled orders in the industries involved does not reflect the limitation on consumption of such materials by consumers, who have been confronted in their own production by serious material limitations. Nevertheless, the essential relation of the production of valves, fittings, bearings, and

other general components to all major production and construction programs requires the closest integration of such production with these programs and the avoidance of limiting fulfillment of important goals as a result of an inadequate supply of components. To assure such integration, it may be necessary to go beyond allotments to production and enter into the field of product distribution.

The program determination for the Metalworking Equipment Division reflects the varying degrees to which product codes under the jurisdiction of the Division tie to direct defense and expansion programs. Machine tool and metalworking press production are vitally related to direct defense production and are at present limiting such defense production. In the first quarter determination they are supported at 500 percent of the production level of the first half of 1950. Closely related to military procurement and expansion goals are cutting tools, jigs and fixtures, miscellaneous metalworking machinery, industrial and electrical furnaces and ovens. Production of these products is supported at 300 percent of the 1950 level. While the production of rolling mill machinery is directly related to steel expansion, delay in that expansion program and partial deferment of sheet and strip finishing facilities permit a somewhat modified treatment for this product code. The level in the first quarter program determination approximates 200 percent of the 1950 level. The production of welding apparatus materials has been supported at 175 percent of the 1950 rate. This reflects increased metal consumption over 1950 levels, and the increased requirements arising out of special military production needs.

Throughout the Division's product jurisdiction the insufficient supply of alloy steel and plate has required some modification of the above levels for products dependent on these materials.

A BRIEF LOOK BEYOND THE FIRST QUARTER, 1952

Both business and Government are interested to know, as far in advance as possible, what flow of materials may be expected for programs in the period ahead. The following is a preliminary attempt to sum up what can now be seen as the probable developments over the coming quarters.

Military production and material procurement, in the absence of full mobilization, will rise in the second and third quarters of 1952, and are expected thereafter to stay at these high levels for at least two or three quarters beyond. Should the higher Air Force program be approved, this will extend the period of the peak level well into 1953 and beyond and, of course, will increase 1952 procurement levels to some degree.

On the supply side the increasing flow of steel should mean that the availability of steel to nonmilitary production will improve constantly during the first half of 1953. This includes the improved availability of steel plate. However, where production requires a balanced bill of materials, including copper product forms, improved production levels will continue to be severely limited by the reduced availability of copper, as the military programs go forward, without an offsetting increase on the supply side. The consistent improvement in aluminum supply in the latter half of 1952 and in 1953 is expected to more than compensate for the increased rate of military procurement, which

will permit improving levels of production for products that depend on aluminum to the extent that this is not limited by their requirement for copper materials. Not only are military copper requirements rising in the face of a constant supply, but the most volatile military programs (ammunition programs) in substantial part turn on brass mill products. Any adverse, even minor, change in international circumstances may require the escalation of ammunition programs.

The same careful screening of requirements, the same expert but more detailed consideration of the problems involved is conducted by the claimant agencies in their determination of allocations which they have, in turn, received from DPA.

PART 2

THE NATIONAL PRODUCTION AUTHORITY

We have reviewed the procedure by which requirements are screened and allotments made to claimants. Now, let us by way of example review the procedures whereby NPA reallocates the materials which it receives as a claimant from the DPA allotment.

This section of the report contains information and data with respect to the subjects outlined below.

Steel, Copper, and Aluminum Allocations

(*a*) The manner in which the quotas of steel, copper, and aluminum allotted to NPA by DPA are allocated by NPA including procedures followed by the division requirements committees; method of determining actual requirements of applicants, function of industrial analysts, etc.; procedures followed in making allotments to production codes and individual applicants; procedures for handling applications for supplemental allotments; and function of Appeals Board in connection with allotments.

(*b*) Specific cases involving NPA allotment procedures for farm machinery, power equipment, and mining machinery, including quantities of each controlled material allotted to these industries for first quarter of 1952.

(*c*) Procedures for checking upon applicant's use of material allotted.

(*d*) Procedures followed for consultation with industry.

(*e*) Description of operation of Priorities System.

(*f*) Allotments to small business concerns including data on the amounts of steel, copper, and aluminum which will be made available to such concerns for the first quarter of 1952, and an estimate of the extent to which this program has benefited small business.

Each of these considerations is discussed more fully herein, the first being:

(A) THE MANNER IN WHICH THE QUOTAS OF STEEL, COPPER, AND ALUMINUM ALLOTTED TO NPA BY DPA ARE ALLOCATED BY NPA

Outline of procedures

Present procedure for allocating the controlled materials allotted to NPA by DPA program determinations may be summarized in general as one which provides:

(*a*) An NPA and industry division reserve.

(*b*) Provision in full of screened materials requirements for military shipments.

(*c*) A distribution of the balance according to criteria which provide:

1. In nonconsumer type goods a share proportionate to screened requirements;
2. In consumer and related type goods a share proportionate to base period usage.

(*d*) An advance and supplemental allotment procedure.

(*e*) Appeals Board.

Allotments of materials are made by DPA to the various claimants designated in DPA Order No. 1, including the Department of Defense, the Atomic Energy Commission, and other agencies having direct jurisdiction in given fields. The industry divisions of NPA act collectively as claimants for B products as defined in the Official CMP Class B Product List.

Under CMP, the controlling rules and procedures are contained in CMP Regulations No. 1 through No. 7. They prescribe in general the terms under which the various users of controlled materials may obtain their requirements of these materials and the obligations placed upon producers and consumers in the operation of CMP.

All producers of B products or repair parts for B products, except as otherwise specified, apply for controlled materials on Form CMP–4B. The major exception is that for producers whose requirements do not exceed any of the following: 5 tons of carbon steel, one-half ton of alloy steel, 500 pounds of copper and copper-base alloy, and 500 pounds of aluminum, no stainless steel. These B-product producers may self-authorize their needs.

Producers of A products, which are all products not officially designated as class B products, present their requirements to the respective claimant agency which in turn presents the aggregate requirement to DPA.

Considering the points appearing above in order, the NPA reserve is a percentage of the total amount of controlled materials allotted to NPA by DPA. It is held until after the date of allocation of materials by the industry divisions. The industry division reserves are, for the first quarter 1952, at least 3 percent of the allotments to the divisions concerned and are held by the divisions until after the date of allocation to applicants. Both reserves are used for contingency including the needs of late applicants, supplemental allotments, appeals, etc. The industry division reserves are administered by the divisions concerned, and the NPA reserve by the Policy Coordination Bureau of NPA.

Materials requirements for MRO (maintenance, repair, and operating supplies) are met within certain limits by self-certification by users, without reference to the Government. Above those limits, application is made to NPA. The procedures in both cases are set forth in CMP Regulations 5 and 7. CMP Regulation No. 5 allows a person or business to obtain, within established limits, the necessary materials for maintenance, repair, and operations and for minor capital additions. CMP Regulation No. 7 allows those in that field to obtain materials to perform repair services for others who do not qualify under regulation No. 5. A program determination by DPA provides the materials needed, both for self-certification and NPA allotment.

Section I of application Form CMP 4B relating to B products as classified in the Official CMP Class B Product List, shows the shipment schedule for military and other rated orders by the applicant for controlled materials. Materials requirements for military orders are tabulated separately by product code classification upon receipt of the applications in the industry divisions concerned. Such military requirements, screened for actual materials need, constitute a first demand upon materials to be allocated. To avoid penalizing the producer with large military orders in his competitive position in the

civilian economy, processing instructions also provide that to the extent possible he receive, in addition to his needs to fill military orders, whatever materials he would be entitled to receive for civilian production, within the limit of his ability to utilize the materials during the quarter applied for.

Before making allotments to CMP 4B applicants, industry division breaks down its allotment of controlled materials by product code, both according to policy decisions for the current quarter in respect to over-all percentage of base period and other criteria, and in terms of demand for the products by claimants before the industry division requirements committee which is described below. To guide the industry divisions in making such product code breakdown of materials, Program Implementation Decision No. 18 provides for the first quarter 1952 the criteria to be used and the procedures to be followed. It allows meeting full military and AEC requirements plus material for civilian requirements directly related to the essentiality of the products in the code.

Industry division requirements committees

The operating policies and the responsibilities of the industry division requirements committees are contained in General Program Order No. 18. The director of the industry division concerned is the chairman and members include representatives of those other divisions and other agencies directly concerned with the product who act as claimants. As will be noted, the various claimants for the products concerned may present their requirements via these committees in order to establish allocations of controlled materials to product codes adequate to meet claimants' demands for the products. It is the responsibility of the chairman of the committee to bring to the claimants' attention information on available supply, problems in meeting claimants' needs, and in general a summary of the situation with respect to the products in question.

The proposed allocation of controlled materials among products is placed before the committee and may be either approved by it or appealed by any claimant member to the Assistant Administrator for Policy Coordination. Such appeals may be carried ultimately to the Requirements Committee of DPA. Unless delayed by appeals, the Industry Division Requirements Committee's decision on distribution to product codes is implemented after approval of the Division Director and the Assistant Administrator for Policy Coordination.

Allotment to applicants

Actual allotment of controlled materials to individual applicants follows two methods of determination depending upon the industry field concerned.

The first method, applicable to nonconsumer type goods, bases the allotment on the stated requirements of the applicant screened according to instructions contained in NPA Operating Manual, chapter No. 1, subpart 8.01C9. The method utilizes a series of ratios and factors arrived at by comparison of present and past requirements and comparison with average demands to determine as closely as possible a share of the available materials directly proportionate to the applicant's requirements, given the established level at which the industry may operate in view of the quantity of materials available.

The second method bases allotments upon pre-Korean base period consumption. It is used chiefly in the fields of consumer durable goods and related products. The method draws upon data contained in Forms CMP 56 and CMP 57, which contain materials consumption data for base periods, and reflects adjustments previously allowed by NPA in base period, as a result of applications for adjustment permitted by particular NPA orders and regulations. It is designed to fulfill direct military shipment requirements, and beyond that give the applicant a share in the remaining materials directly proportionate to the applicant's base-period usage. The procedure is outlined in NPA Operating Manual, chapter No. 1, subpart 8.01C8.

For the first quarter 1952, consumer-type items will receive materials based upon a percentage of base-period consumption after the provision of 100 percent of screened military requirements where such requirements occur in this field.

Excluding passenger automobiles and certain other products, nonmilitary consumer-type producers will be provided 50, 35, and 35 percent of the base-period consumption of steel, copper, and aluminum, respectively. The only exceptions would be where firms can substitute for copper or aluminum in which case the copper allotment can be 10 percent of base period and aluminum 20 percent of base period, or where the items are determined to be least essential under current materials shortages, in which case allotments may also be established at 10 percent of base period for copper and 20 percent for aluminum. In such cases the steel allotment may be increased above 50 percent to permit a production level which may be comparable to the one that would be achieved with the 50–35–35 formula.

The criteria and procedures used in making allotments as described above reduce to a minimum the possibility of arbitrary action, and provide a maximum consistency of treatment both among applicants and among industrial fields. The judgment and experience of the analyst are used chiefly in determining the general reasonableness of material requirements figures and in screening out demands which are out of line.

The judgment of the analyst is further utilized in determining the possibility of substitution, lead times, i. e., time required for producing the product, seasonality, and other elements requiring technical knowledge and familiarity with practice in the industry concerned.

Allocation by field offices

Certain CMP 4B applications are handled by NPA field offices throughout the United States. At present, all applications requesting less than certain established quantities of steel, copper, and aluminum are forwarded by NPA to its field offices where they are screened and the materials allotted. The actual ceiling requirements which determine field cases may change from quarter to quarter, but generally field offices handle the smaller applicants. Applications totaling at least 75 percent of the total allotted to the product code in the most critical metal are retained in Washington. The ceiling limits are low enough so that no cuts in other CMP 4B applications involving the same product codes acted upon by NPA in Washington are allowed to go below the field approved quantities. The procedures for field cases are contained in NPA Operating Manual, chapter No. 1, field issuances

1C1 through 1C4. Program Implementation Decision No. 23 specifies ceilings to be used for first quarter 1952.

Allotments for industrial and commercial expansion and construction

In the matter of controlled materials for industrial plant expansion within NPA jurisdiction, a different procedure and different criteria are made necessary by virtue of special problems involved in the construction industry. Form CMP 4C is used by applicants in requesting controlled materials to be used for construction. The procedure for processing and allotment of materials to CMP 4C applicants for first quarter 1952 is contained in Program Implementation Decision No. 19 and the criteria used is outlined in PID No. 19.1.

Generally the bases for allotment of materials for industrial expansion are those of degree of necessity for defense and the extent of completion where projects are already under way. Under-way projects are classified according to the degree of completion and the quantity of structural steel needed for completion. Critical shortage of structural steel has made it necessary to limit new construction to the most essential projects. The recommendations of the industry divisions of NPA, the Munitions Board, and other agencies having a direct interest provide the supporting justification. Final decision is made jointly by the Assistant Administrators of NPA. NPA Delegation 14 delegates to certain other agencies of the Government power to authorize construction schedules and to allot materials and to adjust and make exceptions under the provisions of CMP Regulation No. 6.

Supplemental applications

Supplemental applications when filed with NPA follow generally the procedure outlined above for normal controlled materials allocation. Supplemental applications, however, are distinguished from appeals as the supplemental allocations are not issued in order to compensate for cuts in original quantities applied for. A supplemental application is considered on a basis of new defense orders or other information or contingency changing the requirements of the applicant. Treatment of supplemental applications depends further upon availability of materials to fill them when the supplemental application is made after the issue of regular allotments.

In view of this question of availability of materials for supplemental applications, each is considered on an individual basis but according to the criteria established for normal CMP 4B applications. Ordinarily materials must come from the industry division or NPA or DPA reserves and the degree of urgency, therefore, must be great enough to justify allocation from reserves. The procedure is contained in NPA Operating Manual, chapter No. 1, subpart 8.01C7.

Advance allotments

In addition to current quarterly allotments of controlled materials NPA also issues advance allotments to applicants for the first and second succeeding quarters where long lead times make such advance allotments necessary. Advance allotments are made in terms of percentages of current allotments and may be increased as required by seasonal demand, long lead time and other factors making necessary more advanced scheduling. Advance allotments may be de-

creased when a previously granted advance allotment exceeds the current allotment made under existing criteria. In the event of decrease, the materials are recaptured by the issue of form CMP–11. The advance allotment procedure is contained in NPA Operating Manual, chapter No. 1, subparts 8.01C5 and 8.01C11.

Appeals Board

An applicant for a CMP allotment, who has filed an application for adjustment or exception requesting relief from the action taken on his application for a CMP allotment and is dissatisfied with the determination made thereon, may appeal to the NPA Appeals Board from such determination on the ground of undue or exceptional hardship or on the ground that the action taken was contrary to the public interest or the interest of the national defense.

An Appeals Board was established by NPA Regulation 5 and usually consists of three members who have the power of final decision. The Board is attached to the Office of the Administrator of NPA and may in its discretion hold hearings and subpena witnesses or records. It should be noted, however, that section 5 (a) of the regulation states that any relief granted is subject to the availability of materials. A portion of the NPA reserve above-mentioned may be used for this purpose.

(B) SPECIFIC CASES INVOLVING NPA ALLOTMENT PROCEDURES FOR FARM MACHINERY, POWER EQUIPMENT, MINING MACHINERY INCLUDING QUANTITIES OF EACH CONTROLLED MATERIAL ALLOTTED TO THESE INDUSTRIES FOR THE FIRST QUARTER OF 1952

1. Allotment procedures for farm machinery

The allocations from the Defense Production Administration to the Division are first distributed among product codes in line with the Division's allotments of material from DPA (which are based on the Secretary of Agriculture's request for farm machinery necessary to meet the Department's food and fiber goals), and the requests from industry for material in the various codes, and are adjusted for essentiality as outlined in program implementation decisions from the Assistant Administrator for Program Coordination, NPA.

In pursuance with established procedures of NPA, these allotments to product codes are then submitted to the Industry Division Requirements Committee on which all interested claimant agencies are represented, and is finalized when its concurrence is obtained and after approval by the Assistant Administrator, Program Coordination.

The industry 4–B applications submitted by members of the industry are then edited, analyzed, and screened according to the established criteria of the NPA to make sure of their accuracy to screen out inflated requests to treat all applicants on the same basis, and to relate their requests to the base period. A great amount of work is done by industry experts in the product branches of the Farm Machinery Division in this analysis to see that the materials requested are those needed for the product produced and to obtain missing or needed information to do a fair and equitable job of screening.

In all cases where clear and complete information is not submitted with the application and is not obtainable, the industry specialist

attempts to screen the case in line with other cases of manufacturers making similar products and to relate it to the base period use of materials by the particular firm. Such cases are all reviewed and concurred in by the Division Director's office before the screened figure is established.

After all cases in a code are screened, they are tabulated to obtain the total screened requirement. After a deduction of approximately 5 percent for a reserve is subtracted from the amount of material allocated to the code, the relationship of the total screened requirement to the remaining material in the code is established. Each case then is reduced to the necessary percentage to put the code in balance, and the materials are allocated accordingly.

The division reserve is used later to cover late cases, supplementary applications, and the correction of inequities in the original allotments where clear evidence thereof can be established and documented.

Attached is a schedule showing the quantities of controlled materials allotted to the various product codes for the first quarter of 1952.

First quarter 1952 allotments to codes—Agricultural Machinery and Implements Division

	Carbon steel	Alloy steel	Stainless steel	Copper, brass mill	Copper, wire mill	Copper, foundry	Aluminum
	Tons	*Tons*	*Tons*	*Pounds*	*Pounds*	*Pounds*	*Pounds*
16210. Silo construction	3,685	0	725	2,256	955	0	301,800
3352091. Aluminum irrigation	1,218	13	13,190	199,100	0	145,800	3,590,700
33910. Wrought-iron forgings	1,237	0	0	0	0	0	0
3521191. Tractors	70,200	16,862	92,600	2,229,280	169,448	215,400	607,000
35213. Garden tractors	3,750	100	200	4,920	675	15,000	75,000
3522091. Implements	396,630	6,780	993,635	2,193,000	147,000	771,000	1,768,750
35612. Water systems	4,700	51	99,650	617,000	80,117	995,200	43,400
3563592. Elevators	13,620	82	0	3,052	0	6,019	100,700
3799091. Transportation	13,460	112	0	1,392	1,805	1,581	12,650
Total	508,500	24,000	1,200,000	5,250,000	400,000	2,150,000	6,500,000

2. Allotment procedures for power equipment

Items known as power equipment are divided between the Electrical Equipment Division of NPA and the Engine and Turbine Division of NPA. The Engine and Turbine Division of NPA is responsible for heavy power equipment items such as boilers, stokers, steam turbines, hydro turbines, generators, condensers, and Diesel engines. The Electrical Equipment Division is responsible for such items as transformers, pole line hardware, and high-voltage distribution equipment.

Procedures in the Engine and Turbine Division.—A brief outline of the operation of the Engine and Turbine Division is as follows: Requests from manufacturers for materials are analyzed by the product specialists for essentiality, reasonableness, and proper application of various materials, after which they are recorded not only by products but by composition, structural shapes, and sizes of materials. Should improper use of controlled material or improper quantities be indicated, or if sufficient information is not submitted with the request, such requests are either reviewed with the originator or revised in accordance with the knowledge and experience of the specialists. After each section is satisfied that the requests have been screened to a reasonable and proper level and that they are in accordance with the general program orders of NPA, the requests are tabulated by materials and recorded by sections or products.

The total amount of each material is obtained by adding the requirements of each section, which gives the total indicated requirements of the Division, both by product codes and material. The resulting estimate by product codes and classification of material is submitted to the DPA Requirements Committee by the Division as claimant for the manufacturers. After the DPA Requirements Committee allocates the material to the Division as a whole, the Division distributes it to the sections on the same percentage basis as the stated requirements by the Division bear to the actual material received, with proper regard to manufacturing schedules for major projects, and direct defense needs. A reserve of 3 percent is held for late cases, supplementary applications, and correction of errors in original applications.

The DPA allotment of material is then tabulated by products and classifications of material and submitted to the Division Requirements Committee, which is composed of the various claimants. At this meeting the various claimants check the allocation of the total material available to the Division for proper distribution and each has an opportunity to concur or suggest changes in the distribution. When all interested parties agree that what material is available is fairly distributed among product codes, the Division processes all requests received and attempts to make an equitable distribution among the manufacturers. In this connection, the product codes which have to do with the power program must be scheduled to insure an orderly flow of material to the projects under way in accordance with the needs. This scheduling is aided by what is known as an order board submitted monthly by each manufacturer, in which he lists monthly pertinent data on each customer order received and in the order of receipt. Included in these data is the scheduled delivery—assuming that the necessary material will be made available to him for uninterrupted progress of the manufacturing cycle. This procedure enables the Engine and Turbine Division to inspect the order boards of the various manufacturers involved in furnishing component parts of a major project and coordinate the completion of manufacture. This is most difficult due to the extremely long lead time required for manufacturing heavy equipment such as turbines which require 2 years or more to complete. No distinction is made between industrial, privately owned or publicly owned utilities in NPA procedure. By means of the order board, the Engine and Turbine Division can coordinate very closely the flow of material within the limits of availability.

The basic plan for implementing a program to meet power needs is largely patterned after the plan that proved so successful during World War II. It provides for a review of construction schedules and power needs and programs for meeting such power needs by competent expert personnel on the Government's staff within the mobilization agencies.

In conclusion, there is no differentiation in the procedure in the processing and scheduling industrial and public utility plants. This Division depends on information supplied by its claimants as to the relative urgency of the various projects and governs its scheduling accordingly.

Attached hereto is a table showing the quantities of each controlled material allotted to the power equipment items handled by the Engine and Turbine Division for the first quarter of 1952.

Engine and Turbine Division—actual distribution of Division allocations, first quarter, 1952

	Carbon steel			Alloy steel	Stainless steel
	Carbon	Plate	Structural		
	Tons	*Tons*	*Tons*	*Tons*	*Pounds*
Total allocation granted	523,500	225,000	37,000	50,000	14,000,000
Division Reserve	15,705	6,750	1,527	1,521	400,000
Balance for distribution by product codes	507,795	218,250	35,473	48,479	13,600,000
ALLOTMENTS TO INDUSTRY BY PRODUCT CODES					
34433. Power boilers	140,151	40,158	21,713	14,676	3,517,220
3568092. Mechanical stokers	2,539	218	359	197	40,740
3511. Steam turbines and generators	20,820	11,131	287	19,497	4,379,180
3511. Hydraulic turbines	9,140	3,056	380	207	176,540
3614292. Generators over 2,000 kilowatts	8,633	3,929	36	3,201	33,740
35691. Steam condensers	8,125	6,329	431	66	47,740
35691. Heat exchangers	33,514	15,278	682	1,794	2,159,220
3569111. Feed-water heaters	2,031	1,964	35	28	162,960
3519. Internal combustion	19,804	3,928	215	2,958	176,540
3589291. Water treatment	6,601	3,055	173	84	108,640
35920. Fabricated pipe	22,851	437	323	4,122	611,100
34431. Boiler shop products (tanks)	233,586	128,767	10,839	1,649	2,186,380

	Copper			Aluminum
	Brass mill	Wire mill	Foundry	
	Pounds	*Pounds*	*Pounds*	*Pounds*
Total allocation granted	24,000,000	1,830,000	4,100,000	3,900,000
Division Reserve	719,840	54,900	122,871	101,166
Balance for distribution by product codes	23,280,160	1,775,100	3,977,129	3,798,834
ALLOTMENTS TO INDUSTRY BY PRODUCT CODES				
34433. Power boilers	235,800	46,153	222,712	892,788
3568092. Mechanical stokers	20,280	1,775	23,862	3,783
3511. Steam turbines and generators	721,680	704,715	580,642	155,103
3511. Hydraulic turbines	70,000	1,775	206,804	3,783
3614292. Generators over 2,000 kilowatts	977,760	924,827	43,747	23,500
35691. Steam condensers	4,399,920		71,586	
35691. Heat exchangers	15,527,760	28,401	1,308,433	1,233,233
3569111. Feed-water heaters	69,840		10,958	
3519. Internal combustion	325,920	47,928	1,065,836	1,051,674
3589291. Water treatment	582,000	3,550	393,723	56,607
35920. Fabricated pipe	186,240		5,079	35,363
34431. Boiler shop products (tanks)	162,960	15,976	43,747	343,000

Procedures in the Electrical Equipment Division.—In processing CMP–4B applications from manufacturers, the general procedure followed by the Electrical Equipment Division is essentially as follows:

1. The individual manufacturer's application is reviewed to determine whether or not he is requesting excessive amounts of material in relation to his dollar shipments and to discover whether the amounts of the various material shapes requested are in balance.

2. All of the 4B applications are tabulated within a product code.

3. A breakdown is established of the applicant's estimated military and nonmilitary shipments.

4. A manufacturer is allowed sufficient materials to produce his screened military requirements.

5. The level of the nonmilitary requirements is established with the Division Requirements Committee composed of the

representatives of all the claimants, in relation to the importance of the product involved and to the materials made available for all programs.

6. No manufacturer is permitted to expand his nonmilitary production at a rate greater than the average rate of expansion for the industry determined by the base period, i. e., the last half of 1949 and the first half of 1950.

There may be individual variances when a manufacturer can conclusively demonstrate the need for an expansion greater than the normal rate of the industry. As an example, a given manufacturer may be producing products acutely needed and peculiar to his own type of construction. While this particular product may not be procured directly by the military, it may be urgently required in conjunction with military or AEC installations.

After consultations with the services involved, it may be necessary to make available additional materials to one or more manufacturers to accomplish the production of vitally needed equipment.

The following schedule shows the quantities of controlled materials allotted to pole-line hardware, transformers, and high-voltage distribution equipment for the first quarter of 1952:

	Carbon steel	Alloy steel	Stainless steel	Copper brass mill	Copper wire mill	Copper foundry	Aluminum
	Tons	*Tons*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*	*Thousand pounds*
36113 Pole-line hardware	33,811	537	167	837	153	491	2,336
36151 Transformers	41,660	41,746	133	2,869	28,574	600	396
3616192 High-voltage distribution equipment	18,155	490	205	5,673	929	3,659	906

3. Allotment procedures for mining machinery

The allocations from the Defense Production Administration to the Mining Machinery Division are first distributed among product codes to conform with the Division's claim for materials. The principal claimants for this machinery are the Defense Minerals Administration and the Defense Solid Fuels Administration with the Office of International Trade and the Economic Cooperation Administration screening their requirements through the Division Requirements Committee.

These allotments by codes are then submitted to the Division Requirements Committee on which all the claimants interested in this machinery are represented. The Committee formally approves the allocations to codes.

The individual CMP–4B's submitted by the manufacturers are edited, the production schedule analyzed to see that the proper correlation between production schedules and materials requested is in line with the totals for the major categories of machinery. Inflated requests are screened out and any incomplete or inaccurate 4B's are either discussed with the applicant or screened to meet the general requirements of the total code requirements.

After the editing and screening, the cases are tabulated by codes, a reduction of 3 to 5 percent is made to provide the reserve for later adjustments and to provide for late cases or new cases. Then a relationship between the total screened requirements for the code and the net material available is established and by properly analyzing the

relationship of the individual manufacturer's products to the critical minerals program, adequate coverage is first given to those manufacturers whose machinery is contributing to the increased demands of these critical minerals programs. The balance of the material is then distributed as equitably as is possible according to the screened production schedules.

The reserve is finally used to adjust errors in the original allotments, to provide for late cases and as far as possible to adjust the inequities which are brought to light by the filing of supplemental applications.

Attached is a table showing the quantities of each controlled material allotted to the Mining Machinery Division for first quarter of 1952, and the distribution of the allotments among the product codes.

Mining Machinery Division—Distribution of allotments among the codes, first quarter 1952

Material	Code	Carbon steel	Alloy steel	Stainless steel	Copper brass mill products	Copper wire mill products	Copper foundry mill products	Aluminum
		Tons	*Tons*	*Pounds*	*Pounds*	*Pounds*	*Pounds*	*Pounds*
Mine hoists	35311	2,619	78	97,000	3,880	0	97,000	0
Specialized mining machinery	35314	60,858	10,670	751,750	704,220	773,090	1,144,600	221,160
Mine crushers	35315	22,950	13,502	240,560	67,900	2,910	390,910	21,340
Reserve	All	2,673	750	33,690	24,000	24,000	50,190	7,500
Total progress determination		89,100	25,000	1,123,000	800,000	800,000	1,683,000	250,000

(C) PROCEDURES FOR CHECKING UPON APPLICANT'S USE OF CONTROLLED MATERIALS ALLOTTED

CMP Regulation 1 provides several permissible uses which may be made of controlled material which has been allotted under the authority of the Defense Production Act. Uses not permitted fall into two categories: (1) use by the allottee to produce an item not covered by his authorized production schedule; and (2) a transfer of title to the controlled material by the allottee, which is usually the first step in a black-market operation.

NPA's approach to these possibilities is two-pronged.

Each quarter the Compliance Division of NPA checks, and proposes to continue to check, the allotments, authorized production schedules, actual production, and sale or other disposition of controlled materials by the largest users of these materials. Such an audit of the books of these users of material will disclose in each case the deliveries received, the shipments of the finished product and any diversions that might occur, either within the plant of the user or by transfer of title to the raw material.

The second aspect of NPA's investigations is developed as the result of particular complaints. These complaints will be received from suppliers, competitors, employees, purchasers of the raw material, or purchasers of the finished products. NPA has numerous cases at various stages of the investigative process where sales of controlled material or material received under a priority rating occurred. Depending upon the flagrancy of the violation, completion of the investigation in each of these cases will result in a criminal proceeding,

the institution of an administrative adversary proceeding looking toward a suspension order, or both.

The actual procedures used in both aspects of these investigations include, first, the examination of available books and records followed up by such interviews and checking of other books and records as may be indicated.

(D) PROCEDURES FOLLOWED FOR CONSULTATION WITH INDUSTRY

The actions taken by the National Production Authority to carry out our defense production program and to help keep our economy on an even keel have a profound effect on American business and industry. Industry wants to know NPA decisions and problems, the underlying facts and developments, and the reasons why certain actions have been taken or proposed. NPA, in turn, can relate its problems and decisions to the needs of industry and the defense production program only if it seeks out the advice and suggestions of industry.

One of the most effective ways for obtaining such industry consultation is through the establishment and use of industry advisory committees. Through them, the Authority can obtain the practical suggestions and views of industry regarding its work and problems. In this way, too, industry can understand the magnitude and character of problems with which NPA is faced and the factors which must be considered in arriving at decisions in the general public interest.

NPA has established industry advisory committees for hundreds of different industries. By October 31, 1951, NPA had 476 different industry advisory committees, and approximately 7,000 key business executives were serving as members of these committees. In the establishment and use of industry advisory committees, NPA is guided by the provisions of the Defense Production Act of 1950, as amended; the requirements that have been stated by the Department of Justice; and NPA's administrative rules.

The Office of Industry Advisory Committees is headed by an Assistant Administrator reporting directly to the Administrator of NPA. The Assistant Administrator for Industry Advisory Committees is responsible for coordinating all activities relating to the establishment, use, and management of industry advisory committees; acting as the responsible official of the Authority on behalf of the Administrator in all such matters; and assuring that the Authority receives the benefits of a true cross section of industry views and advice, and that the requirements of the Defense Production Act, as amended, are fully followed by providing "fair representation for independent small, for medium, and for large business enterprises, for different geographical areas, for trade association members and nonmembers, and for different segments of the industry."

Since most industries are made up of a very substantial number of companies and plants a meeting of the entire industry, even if that were possible, would be a cumbersome, time-consuming, and expensive affair. In lieu of attempting to bring the entire industry together, therefore, a small but representative group is selected from the industry. It is this group that is constituted as an industry advisory committee. In most instances, the group is made up of some 10 to 15 persons, a group that is not too unwieldy and that can really con-

centrate on the issues at hand. They are selected so as to provide for a true cross section of the industry's views and advice.

In the establishment of an industry advisory committee, suggestions for possible membership are sought from all available and useful sources within the industry and the Federal Government. Recommendations are received from the director of the industry division involved, and from members of the division's staff who are usually well acquainted with the industries with which they deal. NPA, however, does not rely solely upon the personal information of the persons on its staff, for even greater information comes from outside sources. Some of it is contained in Bureau of Census reports or other official source materials. Additional information is available to NPA in the reports of private organizations that regularly gather information about industries and individual companies. Trade associations are generally asked to make recommendations; most of them volunteer such help. Individual members of an industry sometimes voluntarily write to NPA expressing their interest in taking part in industry advisory committee activities and proposing persons for membership. Whenever the foregoing information requires supplementation, NPA also seeks suggestions from individual members of the industry, selected on a sample basis, and sometimes from local better business bureaus or similar organizations.

The proposed membership of a new industry advisory committee is generally developed by the director of an industry division in consultation with a staff member of the Office of Industry Advisory Committees and in accordance with the foregoing practices. Final committee selections are made after an analysis of the factors that reflect the way in which the particular industry is organized. The representative character of the proposed committee is tested by the division and the Office of Industry Advisory Committees, by comparing the representation of the proposed committee with the composition of the entire industry.

To be doubly sure that the views of independent small-business enterprises are reflected by the committee membership, the proposed membership of each committee is reviewed by the Office of Small Business of NPA. The Office of Small Business is thus afforded an opportunity to review the proposed membership list and to express its opinion whether such committee affords fair representation to independent small-business enterprises. If the Industry Division and the Office of Small Business fail to agree, the matter is referred to the Office of Industry Advisory Committees for final decision. Should any vacancy occur, or should the size of the committee be decreased or increased, and small business representation should thereby be affected, prior consultation is had with the Office of Small Business relative to such changes in committee membership.

Members of the industry advisory committees are persons who are presently and directly engaged in a business or industrial enterprise affected. For the most part they are presidents, vice presidents, general managers, and in some cases general sales managers of their respective companies. It is their knowledge, information, know-how and judgment that contribute greatly to NPA's decisions and operations. Paid trade association officers or representatives are not eligible for membership nor may they attend industry advisory committee meetings as observers.

It is important to recognize that members of the industry advisory committees are the persons themselves, and not their companies. The persons are selected because of the qualifications which they possess as well as their present association with the industry. They do not come to industry advisory committee meetings as representatives of their individual companies. It is quite natural, and expected, that each member should reflect the views of other companies in the industry which are similar in size to the company with which he is associated and which are located in the same geographical area. It is also natural for persons to draw upon the personal experience they have had with their own companies. It is important, however, that these views and experiences be focused not upon the narrow problems of an individual company but upon the major problems of the industry concerned and upon the problems with which the NPA is faced and on which it seeks advice in reaching decisions in the general public interest.

Under the provisions of the Defense Production Act and the requirements of the Department of Justice, the industry advisory committees are advisory only. They have no power or authority and make no decisions or determinations. Decisions on subjects about which advice is sought at industry advisory committee meetings are made after the meetings by constituted Government authority on the basis of the information and advice received during the meetings and in the light of information available from other sources. These decisions are executed by Government personnel and Government agencies, dealing directly with individual units in the industry, and not by the committees themselves acting on their own responsibility or through the machinery of any other group.

Under requirements of the Department of Justice, the agenda for the committee meetings and the meetings themselves are initiated and formulated by NPA. The meetings are called by NPA and are held under the chairmanship of a full-time Government official who serves as the Government presiding officer. Full minutes of each meeting are kept.

(E) DESCRIPTION OF OPERATIONS OF PRIORITY SYSTEM

Use of the DO rating in connection with CMP

There is discussed elsewhere in this report the general operations of CMP with respect to program determinations by the Requirements Committee of DPA, distribution of controlled material allocations among claimant agencies and NPA industry divisions, and the processing of CMP–4A, CMP–4B, and CMP–4C forms. That discussion also includes the methods used in determining and making allotments to individual product codes and to individual producers making the products included in those codes. This section, therefore, will not attempt to go into the general operations of CMP other than to point out the relation of CMP to the general priority system, specifically the use of the DO rating.

With every allotment which is issued under CMP there is assigned a DO rating which may be used by the person receiving the allotment to get materials and components other than controlled materials which he needs to carry out his authorized production schedule or his authorized construction schedule. The person receiving such a "production rating" is required to use it instead of extending his customer's

rating to get material to fill rated orders as is the case with respect to persons operating outside of CMP; i. e., those who do not require controlled materials in their production.

The theory behind this assignment of a production rating with allotments of controlled materials is that the level of production is determined by the amounts of controlled materials made available for that production, and that, in general, other production materials needed for incorporation into a product will be available in sufficient quantities to meet authorized production schedules under CMP and will through the use of the production rating be channeled to production authorized to meet predetermined programs. There are, however, certain materials which are in such tight supply that their distribution must be controlled through other methods than the use of the DO rating. Such materials are usually handled through allocation under specific M orders; examples are rubber, certain chemicals, and certain ferroalloys.

Aside from CMP, which is the basic plan through which NPA authorizes and controls production, there are three basic mechanisms through which the agency exercises its priority power. They are (*a*) the DO rating, (*b*) the DX rating, and (*c*) the individual directive. The application and use of the DO and DX ratings are set out in NPA Regulation 2, Basic Rules of the Priority System.

The DO rating

The use of the DO rating in connection with CMP has been outlined above. The use of DO rating in certain specified areas for certain purposes is covered by M orders which prescribe the rules for its use. The order may prescribe that the rating may be self-assigned within certain limitations as set out in the order or may require individual applications and authorizations in circumstances described in the order. Most such orders deal with Maintenance, Repair, and Operating Supplies (MRO). The basic MRO regulation is CMP Regulation 5 which permits the self-assignment of the DO-MRO rating subject to quota limitations for MRO and minor capital additions with provision for adjustments of quotas where the circumstances of the individual applicant warrant such an adjustment. In addition to the general MRO regulation, there are a number of individual M orders covering particular industries or areas. Examples of these are M–46 for the Petroleum and Gas Industry; M–50, Electric Utilities; M–70, Marine MRO; and M–78, MRO for the Mining Industry.

The right to assign DO ratings has been delegated by NPA to other agencies subject to rules and limitations prescribed in policy statements accompanying the delegation. For example, the Department of Defense and the Atomic Energy Commission have the authority to use the DO rating for procurement for their own use, and other agencies such as the Petroleum Administration for Defense and Defense Minerals Administration many assign ratings in accordance with the MRO orders which they administer.

In cases not otherwise specifically covered, individuals may request DO ratings for specific items of material or equipment by letter to the Industry Division in NPA which has jurisdiction over the product or material, or to the claimant agency having jurisdiction over their operations, and ratings may be granted pursuant to such

requests depending on the relationship of the activity of the applicant to the defense program.

The DX rating

The DX rating became effective by amendment to NPA Regulation 2 on September 13, 1951. This rating is authorized for use only as an emergency rating to obtain products and materials in urgent cases and is used primarily to break individual bottlenecks delaying the programs of the Department of Defense and the Atomic Energy Commission. The DX rating has been used sparingly, as is evidenced by the fact that since its introduction on September 13 through October 31 only 339 DX ratings had been issued. It is the intent of NPA to hold the use of DX ratings to a minimum and to make sure that it does not become in any sense a superrating band but is kept to its original purpose of breaking individual bottlenecks in special cases. The DX rating is issued through the Priorities and Directives Division of NPA. In extreme emergencies the Department of Defense and Atomic Energy Commission may, by delegation, issue a DX rating. To date, neither agency has exercised this authority.

The individual directive

The individual directive constitutes the highest form of priority action which can be taken by NPA since by its terms the individual directive can override any other order or regulation of NPA. It is used only in cases of extreme urgency and in most instances takes the form of directing a specific supplier to deliver to a specific customer specified amounts of materials or products by a specified date. A directive is not issued until a thorough investigation is made to determine the effect of the directive on a supplier's production schedule and the interference or delay in filling other important defense orders.

General Program Order 11 revised effective September 10, 1951, outlines the internal handling of requests for DX ratings and directives by NPA.

(F) ALLOTMENTS TO SMALL BUSINESS CONCERNS

Material allocations to small business concerns requiring CMP materials

Under Government regulations and orders relating to the control of CMP materials (iron and steel, copper and copper-base alloys, and aluminum) there are basically two ways in which business concerns large or small obtain materials, namely: (1) Through small order provisions and (2) through filing their controlled material requirements with the claimant agency having responsibility for the end product being produced.

Small order provisions have been made to assist small business requiring minimum quantities of controlled materials by eliminating the necessity of their filing applications. These small order provisions give them the right to place authorized controlled material orders and to use priority assistance in the procurement of other materials and components.

The small business merely presents an order to his supplier and submits a statement which customarily reads, "Certified under CMP Regulation 1," and is signed by a duly authorized person of the firm.

For example, during the first three quarters that CMP has been in effect, small business concerns requiring small quantities of CMP

materials to manufacture class B products self-certified and identified their orders with the allotment symbol SU (small user). In this manner a concern using small quantities of controlled materials was permitted each quarter to obtain materials not to exceed the following:

Carbon steel (including wrought iron)	tons	5
Alloy steel (except stainless steel)	ton	½
Copper and copper-base alloy brass mill products, copper wire mill products, copper and copper-base alloy foundry products and powder	pounds	500
Aluminum	do	500

In order to facilitate the allotment process, small business concerns whose quarterly requirements exceeded those listed above and were equal to or less than those listed below submitted their applications for controlled materials to the field office of the Department of Commerce, NPA.

Carbon steel (including wrought iron)	tons	100
Alloy steel (except stainless)	do	5
Stainless steel	pounds	500
Copper and copper-base alloy	do	4, 000
Aluminum	do	1, 000

During the third and fourth quarters, such small business concerns received more liberal treatment in the allocation of controlled materials than larger users. Fourth quarter of 1951 requests for material allotment in the category processed by the field offices were granted a full 100 percent of their base period use of CMP materials. These allotments have been very helpful to a large number of small users of various types of CMP materials. The number of material requests thus processed by field offices runs into many thousands. The proximity of the processing office to the concern requesting material and decentralization of the operation has frequently expedited the obtaining of additional information in the case of incorrect filing of requests

Consideration is presently being given to an increase in the quantities of controlled materials requested by applications filed in field offices.

Small business concerns whose quarterly requirements of controlled materials exceeded those listed above submitted their controlled materials applications to National Production Authority, Washington, D. C., and these applications were processed in the same manner, and according to the same criteria, as that of large concerns.

Beginning with the second quarter of 1952, about 15,000 additional small users of controlled materials (steel, copper, and aluminum) will be relieved of the necessity of filing CMP–4B applications for allotments of the three metals.

NPA instructions, which will accompany second quarter 1952 application forms, state that manufacturers of class "B" products will not be required to apply to NPA for metals if their total requirements during the quarter for each of the controlled materials shown below will not exceed the following amounts:

Carbon steel	tons	30
Alloy steel	do	8
Stainless steel	pounds	1, 500
Copper and copper-base alloy	do	3, 000
Aluminum	do	2, 000

Direction 1 to CMP Regulation 1 is being amended to permit such manufacturers to self-certify their orders for controlled materials up to the listed limits.

All manufacturers of "B" products whether or not they require additional quantities of controlled materials, must file applications for second quarter 1952 allotments, except those who filed for and received fourth quarter 1951 or first quarter 1952 allotments and advance allotments for subsequent quarters from NPA field offices and those whose requirements fall within the new self-certification limits.

Deadline for filing is December 22.

The letter accompanying the second quarter application forms states that unless a manufacturer received specific written instructions as to where he should file his application, it should be sent to the National Production Authority, Washington 25, D. C., Ref. CMP–4B, or to the nearest field office of the Department of Commerce, depending upon which office made his most recent allotment.

If applying for the first time, he should address his form to Washington, providing his needs are greater than those he may self-certify.

The current requirements of the defense program have now reached a point of necessitating the diversion of materials to such a degree that the normal operation of many manufacturing concerns of the country, particularly the smaller manufacturers, will be seriously curtailed. No program can entirely prevent the economic dislocations, localized unemployment, loss of profit and general difficulties for the civilian industry which will occur under these conditions. Recognizing this situation, the Department of Defense and the Department of Commerce-NPA field service have undertaken a joint program, in addition to the existing program of the military services and other Government agencies which are directed at helping small business firms participate in Government procurement, to cope with the resulting hardships.

From an analysis of the materials allocations each quarter, the National Production Authority will report those industry categories which, due to materials allotment levels, will be forced to operate at 50 percent or less of base period production with particular attention to industries producing consumer-type items for which allotments of copper and aluminum are 20 percent or less of base period consumption.

Hereafter, industry assistance clinics will be held in the most seriously affected areas. At these clinics will be brought together procurement officials of the armed services and their small-business specialists, top level purchasing officials of all other Government agencies in the area having procurement authority, responsible representatives of firms holding Government prime contracts, purchasing officials of firms engaged in the manufacture of other than defense items which may have subcontracting opportunities, and the heads of manufacturing firms within the affected industries whose operations have been curtailed in excess of 50 percent because of reduced material allocations. The purchasing officials, Government or otherwise, will indicate to these firms the types of items which they buy which might be appropriate to the facilities of the firms in the low operations group. Every effort will be made at each clinic to develop prime or subcontract

opportunities for idle facilities in an effort to maintain production and employment at the highest possible level.

Subcontracting at various levels and the pooling of production facilities will be employed when possible as a means of spreading both defense and civilian business.

Following each meeting it is expected that interested firms will contact appropriate Government procurement representatives who will make a continuing effort to assist them to obtain prime or subcontract opportunities.

Provisions in NPA orders and regulations favorable to small business

As of November 1, 1951, there were 31 NPA orders and regulations with provisions giving special consideration to the material problems of small-business concerns and users of small quantities of materials or products.

These special provisions take various forms. In the case of users of certain chemicals as set forth in the specific schedules of Order M–45—Allocation of Chemicals and Allied Products—users of small quantities are exempted. These quantities depend upon the supply and requirements of important chemicals. Some of the small user exemptions for chemicals in effect are: 400 pounds of naphthenic acid, 450 pounds granular polymer, 500 pounds polyethylene, 550 pounds methylene chloride and 90 pounds methyl chloride.

Order M–35, Cattle Hides, Calfskins, and Kips Allocation, exempts small tanners from control by defining a tanner or contractor under the order as one tanning more than 100 hides per month.

Order M–180, Iron and Steel-Alloying Materials and Alloy Products, exempts small users of a large group of alloys from certain restrictive provisions of the order. Included in this list are nickel, cobalt, tungsten, molybdenum, columbium, tantalum, tool steel, boron, calcium, chromium, manganese, silicon, titanium, vanadium, and zirconium.

The smallest users of antimony, lead, zinc, tin, steel, copper, and aluminum all are given some special consideration in various NPA orders and regulations. While it is true certain business establishments have been severely affected by material cut-backs, a real effort has been made to assure a flow of maximum materials to users of small quantities of materials. NPA regulations and orders containing special provisions favorable to small business concerns and other small users are these:

LIST OF SPECIAL PROVISIONS IN NPA ORDERS AND REGULATIONS FAVORABLE TO SMALL BUSINESS AND OTHER SMALL USERS

M–2. Rubber: Section 3 (d): Permits the use of 150,000 pounds of new rubber per quarter by small users regardless of base-period consumption.

M–4A. Construction: Section 5: Permits commencement or continuance of construction of industrial and commercial projects, without prior approval of NPA if the total requirements of controlled materials for completion of such construction do not exceed per project, per calendar quarter, 25 tons of steel, 2,000 pounds of copper, and 1,000 pounds of aluminum in the case of an industrial project, or 2 tons of steel and 200 pounds of copper for a commercial project.

M–7. Aluminum for Civilian Use: Section 8 (c): Exempts from the restrictive use provisions of sections 5, 6, and 7 of order M–7 persons using less than 1,000 pounds of aluminum during any period of 12 consecutive months. Persons with a permitted use of less than 1,000 pounds under this order may use up to 1,000 pounds during any period of 12 consecutive months.

M–8. Tin: Section 7 (d) (3): The allocation of pig tin as set forth in section 7 (a) of order M–8 does not apply to any person whose total receipts during the month in which such delivery occurs are and by such delivery remain less than 6,000 pounds and who has not received allocation authorization for pig tin for that month.

M–12. Use of copper and copper-base alloys: Section 8 (c): Exempts persons who use less than 1,000 pounds per calendar quarter of copper forms and products from the restrictive use provisions of sections 6 and 8 of order M–12. Persons with a permitted use of less than 1,000 pounds under the order may use up to 1,000 pounds per calendar quarter.

M–15. Zinc: Section 7 (c): Exempts persons who use less than 3,000 pounds of zinc products during any calendar quarter from the restrictive-use provisions of sections 5 and 6 of order M–15. Persons with a permitted use of less than 3,000 pounds under the order may use up to 3,000 pounds per quarter.

M–24. Tin plate and terneplate: Section 4 (a): Any person may consume a total of 100 base boxes of tin plate and terneplate per year for any purpose which is not prohibited in list A of order M–8.

M–25. Cans: Section 9 (c): Any person whose total use of cans for packaging all products any calendar year requires less than 250 base boxes of tin plate and terneplate is exempted from the use limitations of section 6 of order M–25 but not from the place specifications of schedule 1.

M–26. Packaging closures: Section 6 (d): Any person who uses less than a total of 10,000 packaging closures made of aluminum during the calendar year 1950 may purchase and accept for delivery or use a total of 10,000 such packaging closures during any subsequent calendar year.

M–35. Cattle hides, calfskins, and kips allocation:

Section 2 (b) and (c): Exempts small business by defining a tanner and contractor as a person processing more than 100 hides during any month since August 1950.

Section 3 (a) (2): Authorizes the sale and delivery to and purchase and acceptance of delivery by any person other than a tanner or contractor of less than 100 cattle hides, calfskins, or kips during any calendar month.

M–38. Lead: Section 6 (d): Exempts any person who consumes less than 5 short tons of pig lead, lead base alloy, lead scrap and lead products in any month from the provisions of section 6 (a) limiting use of these materials.

M–39. Antimony: Section 5 (a): Exempts persons producing, consuming, importing, shipping, accepting delivery or holding inventories of less than 2,000 pounds of antimony (various forms) per calendar month from making special report.

M–44. Power equipment: Section 9: Exempts orders from single customers for power equipment or parts having an aggregate fabricated value of $5,000 or less from the restrictive provisions of sections 4, 5, and 6 of order M–44.

M–45. Allocation of chemicals and allied products:

Sections 2 (f) and 16: These sections define the small order exemptions applicable to the schedules of this order.

Schedule 1—Napthenic acid—Section 2: Small order exemption without use of certificate is 1 drum of not in excess of 55 gallon capacity (approximately 440 pounds) naphthenic acid per person per month.

Schedule 3—Sulfuric acid—Section 2: Small order exemption without use of certificate is 60 tons (net tons basis 100 percent H_2SO_4) per person per month.

Schedule 4—Plastic-type nylon—Section 2: Small order exemption is 540 pounds of granular polymer and 25 pounds level monoplament per person per month.

Schedule 5—Polyethylene—Section 2: Small order exemption without use of certificate is 500 pounds of polyethylene per person per month.

Schedule 8—Methyl chloride—Section 2: Small order exemption is 90 pounds of methyl chloride per person per month.

Schedule 9—Methylene chloride—Section 2: Small order exemption is 550 pounds of methylene chloride per person per month.

M–46. Priorities assistance for the petroleum and gas industry: Section 4 (a) (iii): Permits the placing of an order with the supplier if the order is more than $100 but less than $2,000 (with no single item exceeding $1,000) without prior approval.

M–57. Vegetable tanning material: Section 2 (c): Exempts small business by defining "processor" under the order as one consuming more than 500 tan units of chestnut extract or more than 2,500 tan units of vegetable tanning material for any purpose during any one calendar month since December 1949.

M–59. Strapping: Section 4: Exempts any person who maintains an inventory of strapping not exceeding 1,000 pounds from requirement that inventory be kept at smallest quantity needed to maintain normal rate of operation for 45 days.

M–66. Carbon electrodes: Section 6 (b): Exempts deliveries of artificial graphite of carbon electrodes to any person whose total receipts of these products from all sources during any one quarter are not thereby made to exceed 500 pounds.

M–69. Sulfur: Section 7 (a) and (b): Exempts the delivery to any one person of no more than 60 tons of sulfur during any calendar quarter. Section 7 (b) exempts the use by any one person of no more than 20 tons during any calendar month.

M–70. Marine maintenance, repair, and operating supplies and minor capital additions: Section 2 (1): Use of self-rating procedure to obtain materials for minor capital additions up to $750 per quarter permitted without NPA approval.

M–71. Priorities assistance to technical and scientific laboratories: Sections 2, 3, and 5: A laboratory may obtain products and materials in small quantities for scientific or technological investigating, testing, or development or experimental tion by placing an X–1 allotment symbol on its delivery orders. Maximum quantities per quarter are: 5 tons carbon steel, ½-ton alloy steel, 500 pounds aluminum, 500 pounds copper and copper-base alloy products, and $3,000 in other than controlled materials or products.

M–78. Maintenance, repair, operating supplies, and capital additions for mining industry:

Section 6 (b): Use of self-rating procedure to obtain materials for minor capital additions not exceeding in aggregate 10 percent of the person's MRO quota or $2,000, whichever is greater, permitted without prior approval.

Section 7 (f) (2): Permits a producer without any base-period experience to establish his own MRO quota up to $10,000, without prior written approval from DMA.

M–80. Iron and steel—Alloying materials and alloy products:

Schedule 1—Section 4: Exempts receipt of 100 pounds of nickel per month.

Schedule 2—Section 4: Exempts receipt of 25 pounds of cobalt per month.

Schedule 3—Section 4: Exempts receipt of 25 pounds of tungsten per month.

Schedule 4—Section 4: Exempts receipt of 200 pounds of molybdenum per month.

Schedule 5—Section 4: Exempts receipt of 10 pounds of columbium and tantalum per month.

Schedule B—Section 5: Exempts receipt of 300 pounds of class B high-speed steel per calendar quarter.

List II: In addition to schedule exemptions above:

Exempts monthly receipts of 100 pounds boron.

Exempts monthly receipts of 1,000 pounds calcium.

Exempts monthly receipts of 200 pounds titanium.

Exempts monthly receipts of 500 pounds vanadium.

Exempts monthly receipts of 200 pounds zirconium.

Exempts monthly receipts of 2,000 pounds of chromium; except chromium metal, 50 pounds.

Exempts monthly receipts of 15 pounds manganese; except manganese metal, 100 pounds.

Exempts monthly receipts of 15 tons silicon; except silicon metal, 100 pounds.

M–81. Pure tungsten and pure molybdenum:

Section 5 (d): Exempts from prohibition provisions of order any person using not more than 50 pounds of pure tungsten in any three consecutive months.

Section 10: Exempts from reporting any person consuming under 25 pounds of pure tungsten or pure molybdenum during the preceding month.

M–82. Distribution of brass-mill products to distributors:

Section 4: Has special provision for building up low inventories.

Section 6: A distributor may not accept an order from a person in excess of 2,000 pounds of any item of brass-mill products without special NPA approval. Distributors need not accept any rated order for more than 500 pounds of any item of brass-mill products or over 50 percent of the distributor's inventory of such item, whichever is less.

M–85. Emergency radio communications network and associated activities: Section 5: Establishes priority for each amateur radio operator which may be

used yearly to obtain critical materials. Quotas for materials are $200 for network members and $100 for nonnetwork members.

CMP Reg. 5. Maintenance, repair, and operating supplies and minor capital additions under the controlled materials plan:

Section 1: Any person under order regardless of quota may use procedure of order to obtain materials for MRO and minor capital additions up to $1,000 during a quarter.

Section 2 (h): Use of self-rating procedure to obtain materials for minor capital additions up to $750 per quarter permitted without NPA approval.

CMP Reg. 6. Construction under the controlled materials plan: Direction 1—Procedure for obtaining small quantities of materials for use in construction projects: Section 3 (d) (e) (f): Provides for self-authorization of materials up to 25 tons of steel, 2,000 pounds of copper and copper-base alloys, and 1,000 pounds of aluminum any calendar quarter by builders of industrial projects. Builders of commercial projects may self-authorize up to 2 tons of steel and 200 pounds of copper.

CMP Reg. 7. Repair parts and materials for repairmen under the controlled materials plan: Section 2: Enables repairmen to obtain materials for maintenance and repair not to exceed 20 tons carbon steel, 500 pounds copper and copper-base alloys, and 500 pounds aluminum or copper-mill products up to $150 during a quarter.

Special Assistance to Small Business

The National Production Authority processed over 50,000 fourth-quarter 1951 CMP applications, of which over 15,000 were from concerns employing small amounts of controlled materials and were thus classified as field cases. The field cases were processed in the Department of Commerce-NPA field offices and received more liberal treatment than did applications from larger users of controlled materials. Approximately 15,000 CMP applications were received from producers of general components, general industrial and metalworking equipment, of which approximately 6,000 were classified as field cases. It is estimated that over 70 percent of the remaining 9,000 applications were from small-business concerns. Approximately 8,500 applications were received from producers of building materials, of which about 2,000 were classified as field cases; it is estimated that the majority of the remaining 4,500 applications were from small-business concerns. Over 9,000 CMP applications were received from producers of electrical appliances, heating equipment, office furniture, cooking equipment, office supplies, and household wares, with the majority of the applications being forwarded by small-business concerns. Approximately 3,800 fourth-quarter construction applications were processed by the Facilities and Construction Bureau with 907, or 24 percent, of the total processed receiving automatic approval because of the small amounts of controlled-material requirements. It is estimated that over 75 percent of the remaining 2,900 applications were from small-business concerns.

During recent months, thousands of small-business concerns requested the assistance of NPA in obtaining materials and equipment or requested adjustments under and exceptions to orders and regulations. In the majority of instances, these requests received favorable action.

Approximately 320 firms using chemicals—particularly producers in the plastic and paint-remover fields—presented their problems to NPA. Difficulties in obtaining polyethylene, methylene chloride, titanium, and other chemicals were reported by many of these pro-

ducers; in all but 10 instances these requests for assistance were granted.

A total of 307 requests were received from producers in the lumber and lumber-products field and of the requests processed only 4 were denied. The majority of these applications were requests for equipment assistance. Requests for adjustment to the chemical, wood pulp order were received from approximately 150 business establishments, while a number of requests for material and equipment assistance were received from producers of pulp, paper, and paperboard. Generally speaking, relief was made available in a majority of these cases.

Requests for adjustments under the steel shipping drums order were received from about 245 small-business firms with the majority receiving favorable action. The majority of the applications requested base-period adjustments or permission to readjust their inventory position. A number of adjustment requests from the glass container order were received, requesting permission to use new molds, or to adopt models not permitted by the order, and a majority of these requests were granted.

Many other requests from small-business concerns requesting the assistance of the National Production Authority in obtaining steel, copper, aluminum, sulfur, tin, zinc, and other noncontrolled materials were received during recent weeks. A large number of requests were also received for assistance in obtaining building materials, machine tools, and other equipment. In the majority of these cases, officials of the Authority, after reviewing information presented by the companies and after informally discussing the problems with suppliers, were instrumental in obtaining for the firms their proportionate share of the available materials or tools and equipment needed in the operations of their plants.

PART 3

THE DEPARTMENT OF DEFENSE AND THE MUNITIONS BOARD

It was pointed out above that the first major policy of our defense mobilization effort is that the real needs of the Department of Defense and the Atomic Energy Commission should be met. As that is the cornerstone of our whole national mobilization, it becomes important to ascertain what are our military requirements and whether they are realistic.

The Joint Chiefs of Staff tell the Department of Defense and the Munitions Board that they want a certain force strength in terms of divisions or ships and so on by a certain date. The Joint Chiefs of Staff declare that force strength to be a minimum that the Nation must have. The National Security Council and the President have asked for that force strength, and that becomes the goal—that is the effort for a certain period of time. Although declared to be a minimum of preparedness that the Nation must have, for obvious reasons it is at best a broad approximation, an optimistic hope grounded upon desire rather than reason. It must necessarily be so, because the exact danger is not known, it cannot accurately be estimated nor timed, and a serious consideration of the equal needs of our economy cannot be foretold at a period far in advance of the actual delivery of the force strength desired.

That force strength is translated by the Military Department into weapons, equipment, and so on. Those, in turn, must be translated into terms of procurement schedules which are properly phrased so as to produce the articles that require minimum force strength by the due date or the time set. The computation of these requirements is not easy; it's not simple; it's not quick. The requirements of the division, for example, that is going to operate in the Arctic are quite different from the division that is going to operate in the Tropics. All of these things have to be taken into account for strategic planning.

The Munitions Board reviews and coordinates the requirements submitted by the services. The Board tries to squeeze the water out of those schedules, checking one schedule against another one. The Board checks the schedules for feasibility, for performance, and comes up with the amount of material that is needed for approximately two and a half million items which are purchased for our Armed Forces. There is no sleight-of-hand method which can be used to produce such figures. The Board tries to make the figures sound and attempts to make them the minimum required to accomplish the task during the period involved.

Before the requirements of the Department of Defense are submitted to the Defense Production Administration, this procedure is followed: The Munitions Board issues a call on the three military departments to submit their requirements for the control of materials, backed up by their justification of why this amount of materials that they are claiming are needed by the departments. The departments

go through an elaborate procedure, which is too detailed to describe in this report.

The Munitions Board, upon receipt of the requirements from the three military departments, breaks down these requirements and submits them to the end-item offices. Each end-item office is responsible for a program or programs when the requirements have been submitted by the military departments in that form.

The end-item office is in consultation with the different resources offices and any other place they are able to obtain information, and they review these requirements to determine their validity.

An end-item office is an office that deals primarily in end items, such as tanks, automotive equipment, electronics, aircraft, and so on.

The resources office consists of material resources office, production equipment resources, components, and facilities and services.

The present procedure is that after the end-item offices and resources offices have decided upon certain questions upon which they need clarification in order to properly defend the requirements, a meeting is called, or a hearing is held with the three military departments on each program. At this hearing, these questions previously mentioned are asked of the departments and they are defended, and they defend their material requirements as if they were defending requests for money under the budget.

Recommendations are then made by the end-item offices, after consultation with the resources office, to the Program Office and a determination is then reached by the Office of Programs and submitted to the top staff of the Munitions Board for approval.

These requirements are then submitted to the Defense Production Administration, where they are reviewed as previously described.

During the time the Munitions Board is reviewing the requirements, representatives of the staff of the Defense Production Administration are in constant contact and often sit in on the hearings so that they will have as much background and information as possible on the requirements when they are received in the Defense Production Administration.

The Office of Programs is the general office in the directorate of production and requirements. It pulls together all of the programs. It is the one central point through which all calls for requirements and all submissions of requirements are channeled. It is the policy office and the office that provides the final back-up to the representatives of the Requirements and Program Adjustment Committees.

The Chief of this Office normally attends all Program Adjustment Committee meetings and usually attends, with a Vice Chairman of the Munitions Board, the Requirement Committee meetings.

There are some exceptions to this general processing of requirements through the Munitions Board. As an example, construction requirements are handled entirely by the Office of Facilities and Services.

In reviewing the requirements, the end-item office takes into consideration such things as bills of materials, or the substitutes therefor, such as engineering estimates, whether the data has been obtained by a factor method, and apply these to production schedules which have been submitted by the departments and often approved by the Department of Defense.

Production schedules for approximately 600 major items are approved at the Department of Defense level. The balance of the

production schedules are approved in the military departments, with only audit and review in the staff of the Munitions Board.

These production schedules are based on the plans of the military departments to carry out the strategic guidance or war plans that have been received from the Joint Chiefs of Staff. Production schedules do not necessarily reflect the requirements needed by the military departments to carry out the Joint Chiefs' guidance, but are the amount of materials or end items that the departments can, under the optimum situations, expect to receive from the civilian economy, with the amount of money that they have available to meet the Joint Chiefs' plans.

The requirements which have been decided upon by the military departments to be needed to meet the Joint Chiefs' plans have been determined after subtracting from the amount needed to actually meet the plan, the amount of items that they have on hand, either in use or in storage.

A production schedule that is approved in the Munitions Board follows along this pattern: The schedule is made up in the tech service, reviewed in the G–4 level—G–4, ONM, Assistant Chief of Staff (Matériel), Air Force level, and then submitted to the staff of the Munitions Board and the staff of the Assistant Secretary of Defense (Comptroller) for approval.

To back up these schedules, when it is required, a Form No. 519 is submitted. This Form No. 519 shows the assets the departments have, the amount of requirements, the amount of items needed to meet the JCS strategic plan, and the rate at which it is needed. From that a determination of the items which should be procured is made.

The No. 519 breaks down the needs for such things as the amount needed to support the war in Korea, the amount needed to initially equip new organizations, the amount needed for war reserve, and so on. The Munitions Board staff will check such things as, Have they phased the items they need so that they are not obtaining the items far in advance of the personnel being accepted into the service and trained to use them; have they properly taken into consideration substitutes that might be used, and so on.

The staff of the Munitions Board, after it is determined that the items are actually needed in the phasing which has been requested, then tries to determine whether the schedule is realistic under optimum conditions. By optimum conditions is meant that there are no strings—the material will be available; there will not be too many design changes, no power shortage, and the items will be acceptable to the services.

The Board also checks with the facilities which are expected to make the items such things as, What will be the component bottlenecks, whether the new machine tools that might be needed to produce the item can be delivered in the time in which it is expected; and these things are discussed in great detail with representatives of the departments by the staff of the Munitions Board.

Information is asked from the resources offices; information is asked sometimes of NPA or DPA. Many times the staff of the Munitions Board have occasion to discuss the matter with the contractor. Then, insofar as it is possible, a determination is made as to what is the maximum that can be expected to be obtained from each

contractor toward meeting the requirements of the military departments.

Then that schedule, after it has been approved by the Assistant Secretary of Defense (Comptroller), is approved by the Vice Chairman or Military Director of the Munitions Board or the Chairman of the Munitions Board.

A military department, if it is not satisfied with the production schedule as it is approved, may appeal to the Munitions Board, but the appeal must originate in the military department.

The auditing, the reviewing of production schedules that are approved in the military departments, is done by sampling devices. In the Munitions Board, in certain instances, a complete detailed report will be requested from the department so that all the figures may be checked for those items that have been singled out for special treatment.

Lead times are checked for realism, as has been mentioned before. The tank program may be given a lead time of 9 months. That lead time would be determined by deciding the earliest time that material would be needed to finish a tank. Then, taking the shortest time that would be required for certain parts of the tank, and by a method of factoring, a determination would be reached as to what was the average time. Therefore if one got enough materials for 100 tanks for 9 months from now, part of that material would be going on tanks that would not be delivered for maybe 12 months, but part of the material would be going for tanks that were going to be delivered within 4 or 5 months. Every effort is made to be sure that the Board is not asking for materials before they are actually needed to be chewed up to obtain the item in the period in which it is needed.

In approving a production schedule, as distinguished from lead time, the question of whether all components will be available and the item delivered as a complete item can be ascertained at the same time, besides whether the production schedule will be approved. Also, the question of whether machine tools will be available for a particular plant decides when the plant itself should be put into production.

As an example, if the average lead time on tanks were 9 months, the amount of materials needed in the first quarter of 1952 would be based on the amount of tanks which were expected to be received in the fourth quarter of 1952.

In a process as complex as an allocation of materials for the entire economy, it is necessary that certain broad assumptions be made concerning lead times. For instance, in the case of the tank-automotive program, the Board might use a 6-month lead time. However, each item and each component of each item will have its own lead time, which may differ from the one used in the computations. In this size operation it is believed that the variations average out so that the end requirement is a good approximation of what will be chewed up in a given quarter.

With reference to the first quarter of 1952, the Munition Board's requirements for the first quarter were furnished for DPA in accordance with a time schedule mutually agreed upon, which was August 6, 1951. These requirements were based on production schedules for the end items which would be delivered as far forward as 1953.

The Department of Defense was in the process of trying to revise the production schedules to make them more realistic. The Depart-

ment of Defense was establishing a new production program based on the funds that were going to be available in fiscal 1952, and the Board was in the process of approving production schedules, many of which were revised after a close study. This required an extensive review of the requirements which had been submitted to DPA, and hearings were conducted by the Munitions Board with the military departments, in conjunction with the staff of the Defense Production Administration, to determine what adjustments, if any, should be made in order that the civilian economy would not be unjustly hindered. Although this review required some 6 weeks, the Board was informed by the Defense Production Administration it was not necessary for them to make their final determinations of material allocations for the first quarter of 1952 until the first part of October.

The results of this review were submitted to DPA on September 25, which was also a mutually agreed date as to when the final adjustment and review should be completed.

As a result of the reviews that were made of the first quarter of 1952, a determination was made by the Defense Production Administration that the Department of Defense requirements for the second quarter of 1952 would not have to be made available to DPA until December 10, whereas it was necessary for the Board to submit its requirements to DPA for the first quarter on August 6.

Since the Department of Defense did not know, and could not know under current budgetary practices, what would be the extent of its funds for fiscal year 1953, there was a considerable element of uncertainty present in any attempt to estimate materials requirements beyond the second calendar quarter of 1952. This limitation is inherent in all future planning, since the ultimate agency to determine the levels of production for the Department of Defense is the Congress in making appropriations.

It should be noted that requirements fluctuate during the time they are being developed. It is understood that this is true not only for the Department of Defense but of all other claimant agencies appearing before DPA. In this connection, it might be noted that the Department of Defense begins its detailed calculations of materials needed in the second calendar quarter of 1952 about the 1st of October, using September data. The requirements of the Department of Defense will be submitted to DPA on 10 December, and the program determinations will be announced by DPA for second quarter calendar year 1952 on or about January 8, 1952. This means that data for the months of October and November is becoming available during the time required to compute and review the materials requirements and to make the allocations. Since the Department of Defense is letting contracts at a rate that varies from 2 to 4 billion dollars per month, rather sizable changes can occur during the review process. Every attempt is made to soften the impact of fluctuation, but it is inevitable that such will occur.

Evidently, the long-range, so-called minimum of preparedness must bow to the more accurate and realistic requirements which become clearer as the dates of delivery draw closer. There is, for instance, the question of things that may have been forgotten or have slipped, primarily in the war area, such as in Korea. Again, the Board might receive requests for items that are needed in Korea, which have just come to light because of some particular action or because of any

unusual loss our troops may have sustained. A change in the type of warfare which had not been anticipated might scale upward or downward our so-called minimum of preparedness with respect to any particular item. New weapons being developed may result in a change in specifications and may change the production schedule.

To cry "Wolf" at the mere discovery of a change or of a drop in previously announced so-called minimum schedules is to submit to the tyranny of words. Minimum schedules are in a constant state of fluctuation. They are so not only in this country but in every nation in the world. If they were not, they would be the product of infallible prophets.

The important thing is that there is a vast difference between the present war effort and the last. In the present one, there is a thorough 100-percent cooperative relationship between the Defense Department and the civilian control authorities. The Chairman of the Munitions Board and his comembers are as concerned as the Director of Defense Mobilization and as the Director of DPA in removing all the water that can possibly be squeezed from the military requirements. That, in itself, is an innovation that has contributed to the adoption of more realistic schedules.

The Department of Defense and Small Business

The Department of Defense has made continuous efforts to increase its assistance to independent small-business enterprises. The following is a brief outline of such efforts.

(a) WHAT HAS BEEN DONE

1. Central Military Procurement Information Office established in 1949

The Central Military Procurement Information Office was established in August of 1949 to serve as a directing service to guide businessmen to the persons whom they should see in Washington and the military field offices concerning the sale of their products. This office is staffed with officer representatives of each of the military departments who have considerable training and experience in procurement. From the establishment of the Office to date approximately 30,000 pieces of correspondence have been handled. Some 8,500 personal interviews have been conducted, and over 37,000 telephone inquiries have been received.

2. Small Business Office established in January 1950 serving as a staff organization for the Assistant Secretary of Defense—Recently reorganized, enlarged, and redesignated as the Office of Small Business

In January 1950 the Munitions Board Small Business Office was established to serve as a point of contact for small-business men interested in discussing problems relating to their dealings with the Department of Defense. It was also to serve as the point of development of material and procedures designed to facilitate the participation of small business in military procurement. At the time it was established, the Office also acted as the staff organization of the Assistant Secretary of Defense who had been designated as the special assistant to the Secretary on Small-Business Matters. In April of 1950 a special adviser on small business to the Chairman of the Munitions Board was appointed to furnish guidance and leadership to the Small

Business Office. With the increased emphasis on small-business problems during this semimobilization period the Small Business Office has recently been reorganized, enlarged, and redesignated as the Office of Small Business.

3. Distribution of procurement information through the Department of Commerce, March 1950

In March of 1950 the Department of Defense, under an agreement with the Department of Commerce, began furnishing to the Department of Commerce daily synopses of invitations for bids. These synopses are received, consolidated, reproduced, and distributed from the Chicago regional office of the Department of Commerce to more than 6,500 distribution points such as local chambers of commerce, banks, industry associations, etc. With the trend toward negotiation rather than formal advertising the amount of information available to the small-business man in the synopses has been sharply curtailed. In an effort to remedy this difficulty the Munitions Board has now directed the three military departments to publish in synopses form information concerning unclassified proposed negotiated procurements. The information concerning these procurements started appearing in the consolidated synopses June 4.

4. Distribution of award information through the Department of Commerce in July 1950

As a further aid to small-business men the Department of Defense in July 1950 began utilizing the Department of Commerce distribution system as a means of publishing a weekly synopses of awards of unclassified, negotiated and formally advertised contracts. This information was made available in order that small-business concerns might know who the prime contractors were and thereby apply for subcontracting work.

5. Participation in small-business clinics under the auspices of the Senate Small Business Committee, July 1950

In July of 1950 the Senate Select Committee on Small Business began sponsoring a series of open-type programs in different cities in an effort to acquaint businessmen with the routine methods of securing necessary information for bidding on and securing Government contracts. The Munitions Board Office of Small Business participated in some 75 such meetings throughout the United States. It is estimated that approximately 50,000 businessmen attended these meetings.

6. Marshall directive of 18 December

In the Secretary of Defense directive of December 18, 1950, he specifically pointed out the necessity for making the fullest possible use of small business concerns. This policy is being aggressively pursued.

7. Participation with the civilian defense agencies in small-business program. (Executive Small Business Committee)

The Office of Small Business maintains close liaison with all of the civilian defense agencies interested in the small-business problem. Representatives of the Munitions Board and the three departments are members of and regular participants in the Executive Small Business Committee of the Defense Production Administration.

8. Exhibits

The military departments are conducting a series of prime-contractor exhibits. The purpose of these exhibits is to aid the prime contractor in developing subcontractor sources. In addition to the prime-contractor exhibits the Army is in the process of establishing some 62 permanent-type sample display and procurement-information centers to aid small-business firms. The Navy and Air Force are presently studying the feasibility of a similar program.

9. Defense procurement policy, 5 April (general)

(*a*) Revision of Armed Services Procurement Regulation:

Issued April 5, 1951.

DEFENSE PROCUREMENT POLICY

In the interest of assisting small business, and of broadening the industrial base of suppliers, the following general policies and practices are adopted for the Department of Defense. In several respects, such policies and principles have already been implemented; however, no attempt is made here to distinguish between action already taken and that which represents departures from existing practices:

1. Review of the production allocation program, for the purpose of determining those items which can be procured from a broad number of sources and from various classifications of industry.

2. Maximum use of available industrial capacity, with limited use of certificates of necessity in those cases where necessary industrial capacity is not available.

3. Review of military requirements and procurement methods, for the purpose of assisting small business and broadening the industrial base of suppliers. (Implementation with respect to procurement methods, in the form of a revision of the armed services procurement regulation is set forth after par. 8, infra.)

4. Establishment of a training program for procurement personnel covering the problem of small business and the need for broadening the industrial base of suppliers.

5. Encouragement of subcontracting, with each important and substantial negotiated purchase to be examined to determine the extent to which subcontracting should be encouraged or required. The extent of subcontracting shall be considered as one of the factors in the negotiation and pricing of prime contracts.

6. Payment of justifiable price differentials in negotiated procurements to accomplish the objectives of broadening the industrial base of suppliers.

7. Appointment of small-business specialists in procurement offices to increase small-business participation in defense procurement.

8. Adoption of a broad publicity program covering (i) basic objectives of broadening the industrial base of suppliers, (ii) purchase methods and practices, (iii) aids to small business, (iv) the number and dollar amounts of prime contracts awarded to small business, and (v) the desirability and extent of subcontracting.

Issued April 5, 1951.

APPROVED REVISION OF ASPR

3–104 AIDS TO SMALL BUSINESS IN NEGOTIATED PROCUREMENT

In furtherance of the policy with respect to small-business concerns, as set forth in paragraph 1–302.3, the following aids will be employed where practicable and where consonant with other Department of Defense policies:

(*a*) Divide negotiated procurement of supplies or services into reasonably small lots in order to permit making multiple awards.

(*b*) Employ lists similar to the bidders list used in formally advertised procurements, to uncover small-business sources and to broaden the industrial base.

(*c*) Employ advance notices, similar to notices in advance of the issuance of invitations for bid, to inform prospective small-business concerns and others of proposed negotiated procurements.

(*d*) Employ suitable methods in soliciting proposals where an excessive number of potential suppliers exist.

(*e*) Allow the maximum amount of time practicable for preparation and submission of proposals.

(*f*) Make multiple awards to the greatest extent practicable.

(*b*) Appointment of small-business specialists.

No. 64–518, fact sheet, dated April 5, 1951, issued by Department of Defense

ESTABLISH SMALL BUSINESS TARGET OBJECTIVES AND APPOINTMENT OF SMALL-BUSINESS SPECIALISTS IN EACH PROCUREMENT OFFICE TO INCREASE SMALL-BUSINESS PARTICIPATION

1. In order to effectuate more positive aid to small business and thereby insure a broader industrial base for subsequent procurement, there is hereby provided small-business specialists and small-business target objectives for use within the Department of Defense.

2. Small-business specialists will be appointed in each procurement office of the military departments and, where suitable, in higher offices concerned with procurement. Such specialists assigned to principal procurement offices and, where deemed necessary, those assigned to higher offices, will devote their efforts exclusively to assisting small business concerns in connection with military procurement.

3. Small-business specialists assigned to procurement offices engaged in contract negotiation or administration will perform functions, where applicable, which include the following:

(*a*) Serve as a focal point in the procurement office to which small business concerns may make or direct inquiry concerning participation in the military procurement program and concerning advice or assistance in the performance of military contracts.

(*b*) Assist Federal, State, and authorized private agencies, if requested, in making an inventory of the productive facilities of small business concerns and arrange to furnish those agencies such data concerning small-business sources, facilities, and capabilities as the procurement office may have on hand.

(*c*) Institute a program to discover small-business sources capable of participating in procurements to meet current and anticipated requirements.

(*d*) Review requirements prior to procurement action and determine to his own satisfaction which requirements are susceptible of accomplishment by small business.

(*e*) Make recommendations to the contracting officer with respect to competency, capacity, and credit of a specific small business concern or concerns capable of accomplishing a specific requirement.

(*f*) Make appropriate recommendations to the contracting officer in connection with the issuance of certificates of necessity, defense order priorities and allocation ratings, financing, furnishing of Government equipment, and other measures which will assist them in the conversion and equipping of their plants for the accomplishment of defense production.

(*g*) Certify to the contracting officer, based on approved criteria or on certification from approved sources, the concerns, firms, persons, corporations, partnerships, cooperatives, or other business enterprises which are to be designated "small business concerns."

(*h*) Participate in meetings of boards of contract awards or review committees where such boards or committees have been or may be established.

(*i*) Recommend to the contracting officer or such other officer as may be designated by the appointing authority the award of a contract to a specific small business concern for the purpose of broadening the industrial base.

(*j*) Furnish assistance to small business concerns on problems arising during performance of contracts such as financing, defense-order priority and allocation ratings, inspections, and payments, or direct such contractors to the proper agencies for assistance.

(*k*) Obtain information, where practicable, concerning the methods and terms used by prime contractors in letting subcontracts; and make recommendations to the appointing authority with respect to those practices which discourage small business concerns from taking an interest in subcontracting or which are unfair and inequitable as to price and conditions.

(*l*) Maintain liaison and exchange information with other local Government agencies for the purpose of rendering the maximum amount of assistance to small business.

(*m*) Review, prior to submission, procurement office reports concerning the letting of contracts and subcontracts to small business concerns and make pertinent comments to the appointing authority regarding such reports.

(*n*) Recommend small business target objectives to the appointing authority, with reference to the percentage amount of dollars which should be awarded to small-business concerns.

(*o*) Review small business target objectives, periodically or when directed by the appointing authority for the purpose of recommending revised target objectives.

(*p*) Observe the effect of current procurement policies on the amount of small-business participation in the procurement program and recommend to the appointing authority changes in existing policies or the formulation of new policies to increase the amount of such participation.

4. Small-business specialists assigned to higher offices concerned with procurement will perform to the extent appropriate functions comparable to those prescribed in paragraph 3 above.

5. Small-business specialists will be appointed by name in writing and will be directly responsible to the appointing authority. The power of appointing small-business specialists will not be delegated below the level of the heads of procuring activities. It is desired that the positions of small-business specialists be filled by personnel of the highest caliber, with extensive experience in industry and that preferably they should be filled by small-business men.

Under the program outlined above, more than 400 specially trained small-business representatives of the armed services are now located at all central and field procurement offices. (See p. 10, First Annual Report, Joint Committee on Defense Production, S. Rept. 1040, 82d Cong., 1st sess.)

(*c*) State and community organization participation in defense procurement:

Issued April 5, 1951.

The plan of action consists in enlisting Federal, State, and community agencies in coordinating organizations designed to further the defense by stimulating the growth of small-business enterprises through the country.

It was set in motion by the Defense Production Authority under date of February 23, 1951.

Defense Production Administrator Harrison requested the governors of each of the 48 States to establish a Governor's Commission on Small Business, "* * * to marshal community resources for the full utilization of small business in the mobilization program."

The problem remains, insofar as the Department of Defense is concerned to develop implementing policy and procedure for using the information as is made available by Federal, State, and community agencies. To this end, the Munitions Board has approved the designation of the Munitions Board Office of Small Business to develop the implementation of the plan.

(*d*) Special type contractual arrangements:

1. Under this heading two similar types of aids have been considered. They may be described as follows:

a. A procedure whereby a contracting officer places prime contracts for the manufacture of all of the component parts of a particular supply item and also places a prime contract for the assembly of the component parts into a completed product. The Government accepts delivery of the component parts from the parts manufacturers, makes payment to such manufacturers for the parts delivered, and subsequently furnishes the parts, as Government-furnished property, to the assembler.

b. A procedure whereby a contracting officer enters into special-type contracts with parts manufacturers for specific numbers and types of parts, which the contracting officer knows will be required by certain assemblers or manufacturers in the production of certain military supply items. By means of these special-type contracts the Government is able to get production started on long-lead-time component parts and considerably in advance of the placing of contracts with assemblers or manufacturers of the completed supply item. Assembler contractors purchase the parts from the parts manufacturers at the proper time and by so doing reduce the Government's obligation to the parts manufacturers to purchase such parts for the Government's account.

2. In view of its many disadvantages and the adverse experience encountered in World War II, it is deemed inadvisable to employ this aid to small business on an extended scale. Procuring activities have authority, at the present time, to employ this aid when feasible and should continue to do so where in their opinion the advantages outweigh the disadvantages.

3. The existing policy is reaffirmed that these aids to small business may be used where feasible at the discretion of the respective departments.

10. Review of production allocation program

To further implement the defense procurement policy of April 5, the Executive Vice Chairman of the Munitions Board requested the departments to review the production allocation program and recommended that the aids to small business promulgated in relation to current procurement be considered for application in the production allocation program.

11. Policy on granting certificates of necessity

The Army, Navy, and Air Force have issued policy statements on certificates of necessity. These statements provide in general that departmental recommendations for expansion of facilities will not be made except in those instances where it is obvious that the job to be done can be accomplished only by expanding one particular facility. Final approval for the granting of certificates of necessity is under the jurisdiction of the National Production Authority.

12. Establishment of small-business pool criteria and clearance procedures

The Department of Defense, the Defense Production Administration, the Office of Defense Mobilization, the Department of Labor, and the Department of Justice have developed by cooperative effort, a procedure by which small-business concerns, which have formed production pools, can obtain a determination as to whether or not they qualify as potential contractors for defense procurement. By so organizing and qualifying, small-business enterprises can compete for contracts which may be far beyond their individual capabilities. This procedure will provide industrial pools of small business with a means for obtaining waivers from title I of the Walsh-Healey Public Contracts Act and applicable antitrust legislation. While each case will of necessity be judged on its merits, the procedure will minimize the time required to obtain clearance and make such clearance known to the field procurement offices. Five pools of this nature formed at Omaha, Nebr.; San Jose, Calif.; New York, N. Y.; Peoria, Ill.; and Fresno, Calif., have already qualified to compete for Government contracts.

(B) WHAT IS PLANNED

1. Fully implement State and community organization participation program.

2. Establish reporting procedure on activities of small-business specialists.

3. Broaden exhibit program as the demand for subcontractors increases.

4. Increase emphasis on subcontracting under prime contracts.

5. Joint program of the Department of Defense and the National Production Authority to assist manufacturers in maintaining operations under the impact of material shortages in consumer-type production occasioned by the defense program.

PART 4

SUMMARY AND CONCLUSIONS

Since the enactment of the Defense Production Act of 1950 the question of the size and timing of our mobilization program has been under constant discussion within the executive and legislative branches of the Government. Early this year the position was determined and substantiated with the approval of your committee in announced mobilization policy that efforts would be made to avoid undue peaking of the military production in order to provide productive capacity and production potential as well as stocks of military end items. The officials responsible for administering the broad powers granted by the Defense Production Act have operated within this policy, but at the same time have placed a priority on speed in achieving the minimum military build-up. Obviously, they could have chosen a policy of converting the entire economy to an all-out production effort or they could have given merely token recognition to military needs.

The first extreme would have caused widespread unemployment. It would have precipitated economic crises of all kinds. It would have made incalculably steeper the already too heavy burden of taxation weighing down the shoulders of the American workingman, while cutting off the source of taxation through a rapid decline in national income. The second extreme would have courted national disaster.

2. Officials chose a reasonable middle course, keyed to the real, screened needs of the Department of Defense and the Atomic Energy Commission. Should total war come upon us, the Nation will not regret having decided to increase its industrial base and having the reserve capacity of additional production lines from which to fight. During this period it is also desirable, insofar as possible, to build up our stocks of consumer durable goods.

3. The fact that civilian production will be considerably curtailed in the first 3 months of 1952, as compared to the last quarter of 1951, attests to the further fact that the military use of basic materials is growing by leaps and bounds. The military is also using large amounts of basic materials in the form of motors, bearings, gears, washers, screws, and other components. In addition, military procurement requires sizable quantities of machine tools, construction machinery, and other equipment items. It is receiving all of these in preference to the civilian economy.

4. The present plan of permitting manufacturers, including those who make nonessential civilian goods requiring copper and aluminum, to operate at low levels rather than to put them out of business by prohibiting the use of basic materials entirely in less essential products, is a wise one under present circumstances. If total war is averted, these manufacturers will contribute to the national economy and to our policy of free competitive enterprise. Needless loss of manufacturing and industrial enterprises would be detrimental to the long-range peacetime goal of the country. This committee favors the

efforts of the civilian mobilization agencies to preserve nonessential production which does not interfere with our defense effort. It would be short-sighted to cut off nonessential production having little or no impact on defense production. Moreover, our expansion of basic resources will permit a high level of civilian production without jeopardizing the defense program, if full scale war is averted.

5. The above considerations are particularly valid in the face of reiterated assurances given to your committee by Mr. Charles E. Wilson, Director of Defense Mobilization, and Mr. Manly Fleischmann, Administrator of the Defense Production Administration, that the military "has always had virtually all the material they requested after screening the programs."

Both in World War II and in the present war, it is the policy, deemed to be a wise one by your committee, that civilian officials screen the claims of the military.

On November 26, 1951, the chairman of your committee asked Mr. Fleischmann:

> In your judgment, the military has got whatever critical materials they need for this quarter?

Mr. Fleischmann's reply was:

> Yes, sir; they have gotten whatever critical materials they needed prior to this quarter, too, and they will continue as long as I am here.

Of course, certain alloys such as nickel and columbium are very scarce. There is not enough columbium in the world for the military to do the job they want to do. When civilian officials are convinced that a shortage of certain alloys will hold up production of an essential component of a military item, they have no choice but to revise unrealistic production schedules pertaining to those items.

These are not new problems. The revision of military schedules took place consistently in World War II and in every war we have fought or presumably will be called upon to fight.

Caution should be exercised in interpreting the importance of a change in production schedules.

For instance, aircraft is not considered as "delivered" by the military until every little piece of equipment is in that aircraft. Aircraft might be in the production line or delivered to the military and lacking only a small piece of equipment to be designated "delivered" technically. When this equipment is produced, a debacle may take place in the "delivery" of aircraft. While production schedules are informative, one should consider them as only one link of evidence in the long chain of facts to be ascertained before one may reasonably conclude that our minimum strength for national safety is not being maintained.

The Director of Defense Mobilization when being questioned about alleged failures to meet production schedules, asserted on November 27, 1951:

> Well, it depends, Senator, on what you mean by schedules. The so-called schedules that the Army and Air Force have, I do not regard them as production schedules at all.

In the opinion of your committee there is no need to be alarmed at the unconfirmed reports of failures to maintain a minimum of national safety.

With the tremendous new vistas opened daily in the improvement of supersonic aircraft, the most advanced design today may be

outmoded tomorrow or next week. The military is reluctant, and understandably so, to freeze any particular model. To produce large numbers of any given model could be wasteful and disastrous. This is another instance where the meeting of production schedules might give the Nation a very false sense of security. Total war might make a vast difference in the promptness of decisions in freezing one model after another. Necessity is the mother of invention. In full-scale war, the cost of victory cannot be counted until it is won. In a war of nerves, to ignore the cost of defense is to court economic chaos and thus perhaps to concede to the enemy his first major objective.

Concentration on these unrealistic schedules should not conceal the real progress which is being made. Defense production has shown impressive over-all increases, despite admitted lags in certain lines. For example, defense production in the quarter ending October 1 totaled 5 billion dollars which was one-third more than the previous quarter and four times more than the quarter immediately preceding Korea. Moreover, defense production towards the end of 1951 was running at the rate of nearly 2 billion dollars a month which was three times the rate at this time last year.

6. Your committee does not take issue with the fact that many improvements could and should be made in our rate of production. Mr. Wilson and Mr. Fleischmann, for instance, have repeatedly called for more and faster production. When the steel companies increased steel production at a phenomenal and unprecedented rate, Mr. Wilson called for still greater production. When we reach the stage of complacency, we will be in danger indeed.

However, the fact is that the Office of Defense Mobilization and the DPA and NPA have taken every possible means to break bottlenecks and to discover and remedy the defects in our production. They have welcomed criticisms and suggestions and have quickly corrected any of their errors when they were called to their attention. (See p. 9, First Annual Report of the Joint Committee on Defense Production, S. Rept. No. 1040, 82d Cong., 1st sess.)

The machine tool situation is a good example of a serious brake upon production of certain end items of military requirements. This situation will be treated in a separate report of your committee. However, there is no laxity apparent in the cold fact that production of machine tools has been stepped up 200 percent in 1 year. Criticisms are easily made that the machine tool industry should have been kept in a better state after World War II. Outside of the fact that it might have been difficult at that time to convince anyone that large expenditures should be made to keep the machine tool industry in a healthy state, the fact remains that a large number of machine tools that would have been developed in that period would now have to be scrapped because different and vastly more complicated machine tools have to be designed and produced with the advance in aircraft models, as an example.

In short, your committee is convinced that Mr. Charles E. Wilson, Director of Defense Mobilization, and Mr. Manly Fleischmann, Administrator of the Defense Production Administration, have done an outstanding job of defense mobilization in the matter of controlled materials allocations.

Your committee has found no evidence to refute Mr. Wilson's assurance of November 27, 1951, that "generally speaking to date we have

been able to allot the types of materials to the military production requirements in sufficient quantities to meet their schedules." Accordingly your committee cannot ascribe delays in production to a failure to allot sufficient materials to the military.

Mr. Wilson presented to your committee his frank opinion that the whole matter is proceeding in an orderly way and making progress that any reasonable person could expect it to make if one takes into consideration the various phases of the over-all mobilization job that we are trying to do concurrently. Your committee staff, after prolonged studies of the mobilization effort, can find no fault with that statement.

Mr. William C. Foster, Acting Secretary of Defense, agreed with Mr. Wilson's statement. Under the circumstances, your committee cannot reasonably conclude that the Nation has failed to maintain its minimum military strength in an effort to place butter before guns.

Your committee is conscious of the fact that patriotic men who have given up important civilian occupations to do what they could to make our Nation strong, must face the brunt of everyday criticisms. They must face the blame for their errors. Many have been discouraged from accepting such posts because of the risks of incurring unjust criticisms.

Your committee is equally convinced that they should be commended when they have accomplished the unprecedented feat of striking a happy medium between military preparedness and a healthy national economy in a colossal war of nerves.

PART 5

APPENDIX

As this report was ready for presentation to the Senate, the following DPA announcement of second quarter 1952 allotments was made available to your committee:

[Press release of Defense Production Administration, January 11, 1952]

SECOND QUARTER 1952 ALLOTMENTS

Allotments of steel, copper, and aluminum to the Nation's industry for the second quarter of 1952 were announced today by Ralph S. Trigg, Deputy Administrator for Program and Requirements, Defense Production Administration.

Because of the increasing "take" of materials for the Department of Defense and important defense-supporting programs, it has been necessary to restrict further the production of consumer durable goods, including passenger automobiles, and to cut back sharply on all less-essential construction, both commercial and housing, Mr. Trigg said.

Production of passenger automobiles for the second quarter was authorized at 930,000 units, with an allotment of copper and aluminum to produce 800,000 units, and an allotment of carbon steel to produce 900,000. Truck production was set at 240,000 units for the quarter.

Because of the very short supply of copper as measured against the demand, it was impossible to provide more than enough for the 800,000 units, Mr. Trigg said. However, because of the relatively easier supply of carbon sheet steel, it was possible to make available enough of this basic commodity to produce 900,000 units. The absolute ceiling of 930,000 units was set to permit the industry to reach that goal, if means can be found largely through substitution of less critical materials and strict conservation to stretch the available supplies of copper and steel to reach this level.

In authorizing the auto and truck production, Mr. Trigg said that extensive consideration was given to the unemployment situation in the Detroit area, which could be directly attributable to reduced automobile and truck manufacture.

The authorized second-quarter production levels compare very favorably with the first quarter when an authorization was given for 930,000 passenger cars, with permission to produce up to 1,006,000 if the industry could stretch its supplies that far.

In the field of consumer durable goods—refrigerators, stoves, household appliances of all types and similar goods—DPA has, after very careful review, attempted to sustain production in the second quarter at a "protected minimum level" designed to (1) prevent future shortages of important equipment, (2) sustain employment at the highest possible levels consistent with the short supply of critical materials, and (3) to permit sufficient production to support our economic stabilization objectives.

A determined effort has been made, Mr. Trigg said, to treat all producers of consumer durable goods as equitably as possible. To that end an effort has been made to increase the supplies of critical materials to industries which have been hit unduly hard in previous quarters, making up the difference by reducing the allotments to industries which in the past have enjoyed a relatively more favorable position.

In general, production of consumer durable goods will, in the second quarter, be about 10 percent below the first quarter level.

Carbon steel is provided to sustain production at about 45 percent of production in the base period (first 6 months of 1950), brass mill products at 22 to 29 percent, and aluminum at about 30 percent.

Strict conservation of scarce materials will be required, along with increased use of substitute materials, in order to keep production of consumer durable

goods at the highest possible levels consistent with available supplies of controlled materials.

In the area of construction, it has also been necessary to make sharp reductions from the first to the second quarter, Mr. Trigg said. It is possible to support private home construction only at a level of about 600,000 new starts for this year, as compared with about 1,000,000 for 1951.

Less-essential commercial construction—public buildings, retail stores, and commercial-type buildings of all kinds—will have to be brought to a virtual standstill except for a few in critical areas where they are badly needed.

It has not been possible in the second quarter to support the industrial expansion program at the previous levels. Some construction in this area already underway will have to be slowed down during the next few quarters. To continue projects now under way in the industrial expansion field would require about 275,000 tons of structural steel in the second quarter, DPA said. It has been possible to allocate only 213,000 tons.

Construction of all types authorized for the second quarter is at the rate of about $6.5 billion, as compared with price adjustment with a level of $7.6 billion in the second quarter of 1951, and $6.7 billion in the second quarter of 1950.

The urgent and nondeferrable defense and defense-supporting demands for copper and structural steel are the most serious material limiting factors on construction, DPA said. Another consideration in cutting back construction for the second quarter is the rising demand for components resulting from construction activity. The demand for components such as valves, fittings, nails, screws, electrical fixtures, etc., is now in excess of supply. To effect a balance in future quarters it is necessary to slow down construction of all types.

Allotments of structural steel to the military increased from 171,000 tons in the first quarter to 240,000 tons in the second, a rise of about 70,000 tons. It was also necessary to increase structural steel allotments for the construction of public roads, for electric power and transmission lines, for mining and mining equipment, for the civil aeronautics program, and to the Department of Agriculture for increased food and fiber production.

In order to meet these urgent and nondeferrable needs, it will be necessary to reduce the 2-ton structural steel limit for self-certification for commercial construction, DPA said.

Of the three controlled materials—steel, copper products, and aluminum—the material in shortest supply as measured against the demand is copper, DPA said. To a large extent the unavailability of copper is the greatest limiting factor for all second quarter production and construction.

Military allotments of copper brass mill products—including ammunition cases—increased from 230,000,000 pounds in the first quarter to 240,000,000 pounds in the second, or an increase of 10,000,000 pounds. Increased demands from the Defense Electric Power Administration, the NPA General Components, Electrical Equipment, Engine and Turbine, and Metalworking Machinery Divisions, resulted in upward adjustments of about 15,000,000 pounds between the two quarters.

To meet these demands, it was necessary to reduce the allotments of brass mill products for motor vehicles, building materials, consumer durable goods, scientific equipment, residential and commercial construction, and for export.

Allotments of copper wire mill products (chiefly copper wire) for the first quarter were 398,000,000 pounds, compared with second quarter allotments of 380,000,000 pounds, or a reduction of 18,000,000 pounds. In addition, more copper wire had to be furnished for production of electrical equipment, metalworking machinery, mining machinery, schools and hospitals, and general industrial equipment.

To supply these urgent and nondeferrable needs, it was necessary to reduce the allotments for the production of communication equipment, motor vehicles, less essential commercial construction, production of electronics equipment such as radios and television sets, production of consumer durable goods, and the use of electric wire for residential housing.

Military requirements for aluminum in the second quarter were increased from the first quarter. Larger allotments were also required to meet the essential and nondeferrable needs of Defense Electric Power Administration which is carrying out widespread substitution of aluminum for copper; for the production of electrical equipment, general components, metalworking machinery, essential expansion of heavy industry; increased military aircraft production; and increased production of petroleum and petroleum products.

To meet these essential needs, it was imperative to reduce aluminum allotments for motor vehicles, consumer durable goods, building materials, containers and packaging, and general industrial equipment.

In making the second quarter allotments, DPA followed these major policies:

1. The real needs of the Department of Defense and the Atomic Energy Commission were met to the extent that they were related to available materials and components, were appropriately scheduled, and reflected conservation of scarce materials wherever possible. All military and AEC requirements were given the closest possible screening to make sure that the allotments issued would actually be put into balanced production during the quarter.

2. Strategic defense-related programs were supported at the highest possible levels, particularly those with long lead times such as the power-expansion program, atomic-energy program, and the coke-oven program.

3. Increased allotments were made to assure an adequate production of common components to support a balanced production of end items. The demands for components of all types is increasing so sharply, DPA said, that more material had to be provided for this production to insure the completion of authorized construction projects and new industrial plants as well as essential industrial machinery.

4. The amount of overallotment has been reduced in line with DPA's policy of making sure that all CMP allotments for controlled materials will be filled. There is no question, DPA said, that there is some "attrition" that not all of the CMP allotments issued in any one quarter are actually "cashed."

Indications now are that previous overallotments were too great, particularly for the scarcest materials. Therefore, for the second quarter, the overallotment is as follows: Carbon steel, 110 percent; structural steel, 106 percent; steel plate, 105 percent; alloy steel, 112 percent; stainless steel, 115 percent; copper brass mill products, 105 percent; copper wire mill products, 105 percent; copper foundry products, 110 percent; and aluminum, 105 percent.

5. In the important industrial equipment field, three categories of essentiality were established: First, military, atomic energy, and important defense-related programs such as power expansion and petroleum refining; second, important industrial production and agricultural programs—the production of heavy cotton pickers, track-laying tractors, industrial lift trucks, conveying equipment, and cranes; third, deferrable production including textile, baking, laundry, and some types of food processing equipment, etc.

6. The export of basic controlled materials was supported to assure an appropriate share for friendly foreign nations dependent upon United States' production.

Following is a more detailed explanation of the allotments to the major claimant agencies:

Department of Agriculture (food and fiber processing industries, wholesale trade, and on-farm construction, including irrigation wells).—Only projects needed for the maintenance of existing capacity were approved, and a relatively minor amount of materials was allotted for on-farm construction.

Department of the Army (flood control, harbor improvements, and Panama Canal).—Copper wire allotments provide for the continuation of construction of revetments on the lower Mississippi River. The allotments will support the more essential flood control and river and harbor projects, but some will have to be deferred.

Civil Aeronautics Administration (civil air force construction and Federal airway program).—The allotments will support the projects having a direct military value, and about one-half of the essential projects for civilian air transportation. There may possibly be some slowing down of construction of power transmission projects serving airports unless strict conservation can be observed in the use of copper wire.

Defense Electric Power Administration (power expansion).—Increased allotments of aluminum were provided for the substitution of aluminum wire for copper wire. The allotments are substantially sufficient to support the power expansion program and the production of equipment needed to keep this program on schedule.

Defense Solid Fuels Administration (coal mining, coke ovens).—With careful conservation measures, particularly regarding the use of copper wire, allotments will support these programs.

Defense Transport Administration (new railroad, street and highway transit, inland water transportation, warehouse and storage facilities, and port utilization).—The allotments are not sufficient to support all programs. Less essential facilities will have to be deferred.

Federal Civil Defense (Federal control centers, emergency operations, towers, rescue equipment, training facilities, shelters, etc.).—Because of the uncertain availability

of funds, the necessity for long negotiation where matched Federal-State funds are in question, and the long negotiations required for selection and approval of construction sites, only a part of the requested materials were allotted.

Federal Security Administration (schools and hospitals).—Steel allotments are sufficient to support about 2,400 elementary and secondary schools now under construction, and about 500 new starts—perhaps more if aluminum wire can be substituted for copper wire. There is not sufficient material available to support projects designed to improve the standards in existing facilities or build all of the gymnasiums or administrative buildings requested. However, there is sufficient steel to cover all of the requests for relief of overcrowded conditions if strict conservation measures are observed.

The steel allotments will support about 241 projects now under way in the field of higher education and libraries, and will permit 19 new starts, primarily medical schools and research laboratories. Allotments for hospitals are about at the first quarter level. Steel allotments are enough to support the needs of about 584 projects under way, but strict conservation will be required in the use of copper wire to carry forward all of these projects.

Housing and Home Finance Agency.—Allotments will support the continuation of housing units now under way in defense areas, but other projects will have to be slowed down.

Maritime Administration (cargo vessels, tankers, etc.).—Allotments have been increased from the first quarter and will support the continued construction of 21 vessels in east coast yards, plus about half of the material required to resume work on 9 vessels whose construction was suspended in east coast yards during the first quarter, plus materials to begin 5 vessels under contract on the west coast. Material is provided for continuation of construction of tankers which received materials during the first quarter, and to meet about two-thirds of the amount requested to begin three additional tankers under contract. Material is also provided to support requirements for yard construction projects.

Petroleum Administration for Defense (oil and gas production, natural gas processing, gas transmission, transportation, refining, marketing oil field machinery and equipment).—Allotments will support the drilling program of about 43,900 wells. Construction of some less urgent gas transmission lines will have to be deferred because of the shortage of plate steel for large diameter pipe. The shortage of plate also will force some deferrals of less essential storage and oil-transportation projects.

Bureau of Public Roads (highway and street construction and traffic control equipment).—Allotments provide for about 70,000 tons of structural shapes in the second quarter compared with 53,000 tons in the first. Not all projects now under way can be carried forward. Increased use of reinforced concrete to conserve structural shapes is required.

NPA Facilities and Construction Bureau (privately financed industrial plant expansion and commercial and institutional construction not covered by other claimants or by self-certification).—Structural steel allotments for industrial expansion have been reduced from the first quarter level of 369,000 tons to 213,000 tons in the second. Copper wire mill allotments have been reduced from 20,000,000 pounds in the first quarter to 19,000,000 pounds in the second. Aluminum allotments have been increased from 9,600,000 pounds in the first quarter to 11,000,000 pounds in the second. The allotments are not sufficient to support all projects now under way. Additional screening will be needed to insure continuation on schedule of the most urgent defense requirements. Material is provided only for emergency construction of all commercial and institutional types, and this kind of construction will be brought to a virtual standstill.

NPA Railroad Equipment Division (freight cars, passenger cars, locomotives, etc.).—The allotments provide an increased amount of rail, but construction of freight cars will be reduced to 18,000 for the second quarter, compared with 21,450 in the first. The allotments will also support construction of 700 railway locomotives.

The attached table shows allotments of steel, copper products, and aluminum for second quarter 1952 programs authorized by DPA.

Second quarter 1952 allotments of controlled materials

	Total steel	Total copper and copper base alloys	Total aluminum
	Tons	*Thousand pounds*	*Thousand pounds*
Estimated supply	21,810,500	1,391,000	705,000
GENERAL CLAIMANTS			
Department of Agriculture	52,105	1,376	87
Department of Army	32,560	1,392	194
Atomic Energy Commission	118,790	7,673	5,553
Civil Aeronautics Administration	20,098	1,222	194
Defense, Department of	2,617,361	309,940	278,190
Defense Electric Power Administration	339,650	62,009	58,212
Defense Fisheries Administration	712	26	
Defense Minerals Administration	39,250	1,605	340
Defense Solid Fuels Administration:			
Coal mine construction	12,790	259	19
Coke oven construction	26,710	321	2
Defense Transport Administration	74,855	2,133	146
Federal Civil Defense Administration	5,106	74	39
Federal Security Agency:			
Education	128,279	5,354	8
Hospitals	75,850	2,723	388
General Services Administration	27,437	1,007	81
Housing and Home Finance Agency	78,600	3,011	48
Department of Interior	9,308	232	48
Maritime Administration	121,100	2,950	194
Office of International Trade, ECA	669,484	10,114	1,746
Petroleum Administration for Defense	1,710,375	7,775	1,240
Public Roads, Bureau of	251,525	592	172
Veterans' Administration	12,655	1,278	141
Total	6,424,600	423,066	347,042
NATIONAL PRODUCTION AUTHORITY DIVISIONS			
Agricultural Machinery and Implements Division	541,822	9,272	7,429
Aircraft Division	16,181	1,502	8,781
Aluminum and Magnesium Division	15,625		5,346
Building Materials Division	849,263	51,156	46,494
Canadian Division	467,050	3,731	1,843
Chemical Division	115	881	2,970
Communications Equipment Division	43,400	43,588	2,620
Construction Machinery Division	456,179	6,046	1,731
Consumer Durable Goods Division	872,180	34,584	48,030
Container and Packaging Division	1,526,396	288	19,561
Copper Division	42,150	3,602	1,746
Electrical Equipment Division	655,261	164,695	31,382
Electronics Division	58,900	30,803	12,244
Engines and Turbines Division	588,330	30,893	3,299
Facilities Bureau:			
Construction controls	18,010	504	
Industrial expansion	583,938	29,340	10,890
General Components Division	1,203,225	182,456	21,004
General Industrial Equipment Division	532,568	40,860	15,369
Iron and Steel Division	211,082	3,955	116
Leather and Leather Products Division	9,833	387	388
Lumber and Wood Products Division	6,076	131	822
Metalworking Machinery Division	652,535	32,357	8,464
Mining Machinery Division	135,518	3,769	269
Miscellaneous Metals and Minerals Division	3,561	2,351	82
Motion Picture Photographic Products Division	7,601	971	2,710
Motor Vehicles Division	3,009,760	106,683	59,400
Ordnance and Shipbuilding Division	105,150	9,672	928
Printing and Publishing Division	4,700	1,058	459
Pulp, Paper, and Paperboard Division	1,001	41	26
Railroad Equipment Division	1,599,141	84,320	4,684
Rubber Division	32,395	3,588	954
Scientific and Technical Equipment Division	49,952	39,853	13,541
Service Equipment Division	43,813	2,695	3,881
Water Resources Division	220,415	3,131	368
Total	14,563,126	929,163	337,831